LEKWA TEEMANE LOCAL MUNICIPALITY "NW396"

2008/2009

ANNUAL PERFORMANCE REPORT

TABLE OF CONTENTS

		Page
CHAPTER 1: INTRODUCTION AND OVERVIEW		**3**
1.1	**Foreword by the Mayor: Councilor. K. M. Segalo**	**3**
1.2	**Overview of the Municipality**	**5**
1.2.1	**Municipal Profile**	**5**
1.2.2	**Demographics**	**5**
1.3	**Executive Summary**	**11**
1.3.1	**Vision and Mission**	**11**
1.3.2	**Internal and External Challenges phasing Municipality**	**12**
CHAPTER 2: PERFORMANCE HIGHLIGHTS		**13**
2.1	**Performance highlights**	**13**
2.2	**Performance on Developmental Priorities identified in the IDP**	**13**
2.3	**Level and Standard of Service**	**14**
CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT ISSUES		**13**
3.1	**Introduction**	**16**
3.2	**Organizational Structures**	**16**
3.3	**Skills Development and Employment Equity Plan**	**40**
3.4	**Municipal Transformation and Institutional Development**	**41**
3.5	**Performance**	**41**
CHAPTER 4: Report of the Auditor-General and Audited Financial Statements		**42**
	4.1 Report of the Auditor General	**43**
	4.2 Audited Financial Statements	**52**
CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING		**78**
	5.1 Service Delivery Information	**78**
	5.2 Changes/Variations from agreed development objectives and corresponding performance targets outlined in the IDP	**90**
	5.3 Challenges/Difficulties encountered in the past financial year in the implementation of General Key Performance Indicators	**91**
	5.4 Preliminary Plan for next financial year	**91**

LEKWATEEMANE LOCAL MUNCIPALITY
ANNUAL REPORT: 2008/2009

CHAPTER: 1: INTRODUCTION AND OVERVIEW

1.1 Foreword by the Mayor

It is a privilege to present the Annual Report for the Lekwa-Teemane Local Municipality for the review period of 2008/2009.

A number of achievements and challenges during the period under review have been captured in this report with the aim of bettering the lives of our people.

The Annual Report also clearly outlines how we have performed in relation to our strategic plan objectives for the financial year 2008/2009 as captured in our Top Layer SDBIP. And this happened within the context of scarce resources like, skilled labor, capital and machinery.

However we having a serious challenge due to three directorate position being vacant. We have the acting director technical services, acting director community services and acting director corporate services been vacant post. Our municipality cannot able to recruit best directors due to remuneration constraints. However will formulate are remuneration for section 57 managers in order to retain them.

The second challenge is on shortage of technical skill and old infrastructure but strategies are continuously being explored to bridge the shortage. We are on the process to complete our operational maintenance strategy plan inconjuction funding model.

A word of appreciation is extended to the staff and management that have shown outstanding commitment and initiatives in transforming the Municipality to improve service delivery to our people.

This report is presented in compliance with Section 46 of the Local Government: Municipal Systems Act, Act 32 of 2000.

Lekwa-Teemane Local Municipality was established in 2000 as a category B Municipality operating as a plenary executive system combined with a ward participatory system.

The Municipality consists of six (6) wards and has six (6) ward councilors and five (5) proportional representative councilors. This Council was elected on the 01st March 2006 during the general local government elections.

The past financial year of 2007/2008 has been a learning curve to most of our new councilors with challenges such as lack of internal funding for capital projects. Despite the shortcomings, we managed to improve on the provision of basic services in general and provide free basic water i.e. 6kl to all households and free basic electricity, 50kw/h to all our registered indigents. Addition to 6kl to all households we manage to provide 3kl additional to only registered indigent's resident. National roads project of N12 have play important role in job creation, which limited to life span of the project itself.

In my closing remarks come from Sir Winston Churchill " Sometimes it is not enough that we do our best , we need do to what is required " .Our prime goal is delivery of sustainable, economical, efficient service delivery to our community.

I THANK YOU

……
Councilor K.M. Segalo

1.2 Overview of the Municipality

1.2.1 Municipal Profile

Lekwa-Teemane Local Municipality was established on 6 December 2000 and is made up of the disestablished municipalities of Christiana and Bloemhof. It is a Category B Municipality with a plenary executive system combined with a ward participatory system consisting of six wards. There are eleven councilors in total of which six are ward councilors and five PR councilors. The Lekwa- Teemane Local Municipality is also known as "NW 396" Local Municipality in the North West Province within the Bophirima District. It is neighboring Mamusa, Maquassi Hills, Pokwane and Magareng Municipalities and it covers an area of approximately 3 681km^2.

1.2.2 Demographics

According to census 2001, the municipality has a total population of ± 42967 of which the youth is 13594. The Bloemhof unit is more populated with 58% of the total population. The population is distributed in the following manner: *(STATSSA 2001)* POPULATION STATISTICS AND SITUATION IN LEKW-TEEMANE (Stats SA.)

The population statistics reflected on the page is the results of the Community Survey conducted during 2007 in comparison with the Census results of 2001

TOTAL POPULATION

Census 2001	**Community Survey 2007**
42 967	32 809

HOUSE HOLDS

Census 2001	**Community Survey 2007**
10730	9 953

Population by gender

Gender	**Number**	**%**
Female	22773	53%
Male	20194	47%
Total	42967	100%

Population by Nationality

Population	**Number**	**%**
Black	33085	77%
Coloured	3007	7%
White	6445	15%
Indian	90	0.21%
Other	340	0.79%
Total	42967	100%

Level of Education

Type	**Number**	**%**
No Education	12955	30.15
Primary	13621	31.70
Secondary	7777	18.10
Matric	2556	5.95
Tertiary	816	1.90
Unspecified	756	1.76
Other level	125	0.29

Monthly Household Income

Monthly Income	**Number of Households**
R0- R800	6000
R801-R3200	3495
R3200+	1134
Total	10629

Employment Statistics

Employment potential within Lekwa-Teemane municipality lies within the mining and farming sectors.

Type	Number of people employed	%	Level
Farming	10733	24,98%	Primary
Mining	7468	17,38	
Manufacturing	734	1,71	Secondary
Utilities	64	0,15	
Construction	675	1,57	
Trade	1096	2,55	
Transport	477	1,11	Tertiary
Business Services	279	0,65	
Social Services	1370	3,19	
Private Household	1934	4,50	
Exterritorial	4	0,01	
Other	18133	42,2	
	42967		

Occupation

Occupation	**Number**	**%**
Senior Management	250	2,43
Professional	568	5,52
Technical	291	2,83
Clerks	493	4,79
Service Related	659	6,40
Skilled	1013	9,84
Craft & Trade	1309	12,71
Plant Machine	566	5,50
Elementary	4297	41,73
Not Classified	850	8,25
TOTAL	**1096**	**100**

TYPE OF UNIT HOUSING
% Households

Type of Unit	*Census 2001*	*Community Survey 2007*
Houses or brick on a separate stand or yard	69,4	72,4
Traditional Dwelling/Structure made of traditional materials	15,4	5,6
Flat in Block of Flats	0,3	0,2
Town/cluster/semi detached house(simplex:duplex:triplex)	0,5	-
House/Flat/Room in Back Yard	0,8	-
Informal Dwelling/Shack in Back Yard	6,8	6,0
Not in Back Yard e.g. In Informal Settlement	6,0	11,9
Room/ Flatlet not in Back Yard but on a shared property	0,5	-
Caravan or Tent	0,4	-
Private Ship/Boat	-	-
Workers' Hostel (bedroom)	-	3,4
Other	-	0,5
TOTAL	**100,0**	**100,0**

% TOILET FACILITIES

Type of Toilet Facility	*Census 2001*	*Community Survey 2007*
None	47,3	
Bucket Latrine	0,3	
Pit Latrine without Ventilation	7,1	
Pit Latrine with Ventilation VIP	5,6	
Chemical Toilet	1,5	
Flush Toilet (with septic tank)	4,4	
Flush Toilet Sewerage System	33,8	
Dry Toilet Facility	-	
TOTAL	100	100

% OF HOSEHOLDS BY TYPEOF ENERGY/ FUEL USED FOR LIGHTING

Electricity Used for lighting	*Census 2001*	*Community Survey 2007*
Electricity	48,5	59,6
Gas	0,1	0,2
Paraffin	3,4	1,6
Candles	46,7	36,1
Solar	0,1	0,4
Other	1,3	2,0
TOTAL	100,0	100,0

% DISTRIBUTION OF HOUSEHOLD BY TYPE OF ENERGY USED FOR HEATING

Fuel used for heating	*Census 2001*	*Community Survey 2007*
Electricity	39,4	47,6
Gas	0,4	-
Wood	58,7	48,7
Coal	0,3	-
Animal Dung	0,1	-
Solar	0,1	-
Other	0,3	1,6
TOTAL	100,0	100,0

% DISTRIBUTION OF HOUSEHOLD BY TYPE OF ENERGY USED FOR COOKING

Fuel used for heating	*Census 2001*	*Community Survey 2007*
Electricity	39,5	50,9
Gas	2,2	1,9
Wood	56,0	43,7
Coal	0,1	-
Animal Dung	0,0	-
Solar	0,2	-
Paraffin	2,0	3,3
Other	0,3	1,6
TOTAL	100,0	100,0

DISTRIBUTION OF HOUSEHOLDS BY TYPE OF WATER SOURCE

Water (access)	***Census 2001***	***Community Survey 2007***
Piped Water		
- Inside the Dwelling	- 30,0	-29,8
-Inside the Yard	- 38,1	- 30,2
-From Access point outside the yard	- 26,1	- 21,0
Borehole	4,3	13,1
Spring	-	-
Dam/Pool	0,9	5,9
River/Stream	0,2	-
Water vendor	0,1	-
Rain water tank	0,1	-
Other	0,3	-
TOTAL	**100,0**	**100,0**

% distribution of households by type of refuse disposal

Fuel used for heating	***Census 2001***	***Community Survey 2007***
Removed by Local Authority/Private Co		
- at least once a week	- 2,6	- 3,4
- less often	- 0,5	- -
Communal Refuse Dump	0,7	-
Own Refuse Dump	81,2	75,2
No Rubbish Disposal	14,9	19,8
Other	-	-
TOTAL	100,0	100,0

1.3 Executive Summary

1.3.1 Vision and Mission

The vision for Lekwa-Teemane Municipality addresses the intention of the municipality to make sure that there is sufficient community participation in the activities of the municipality and to make sure that the municipality is able to continue providing effective services within its means. The vision of Lekwa-Teemane reads as follows:

"To strive for the realization of developmental local government with an effective and affordable service provision which is sustainable in a safe environment through community participation".

MISSION

Mission

Supporting Developmental Local Government

- Developing Realistic Integrated Development Program
- Creating Policies that enhance good governance
- Creating better coordination between all spheres of government

Providing effective, Affordable and Sustainable Service Delivery

- Building good infrastructure
- Accessing basic services
- Maintaining quality supply
- Enhancing revenue
- Sourcing funding
- Developing skills
- Creating an environment that is conducive to economic growth and development

Creating a Safe Environment

- Enforcing By-Laws
- Implementing the disaster management plan
- Providing a safe and healthy environment

Enhancing Community Participation

- Establishing an effective ward committee system.
- Maintaining consistent communication with communities

1.3.2 Internal and external challenges facing the municipality

1.3.2.1 Internal Challenges

The Municipality managed to integrate the two offices, the Bloemhof and Christiana office but there is still a challenge to make sure make sure that the municipal ICT is fully integrated to make administration manageable and have all systems integrated.

1.3.2.2 External Challenges

The biggest challenge is the high level of illiteracy and unemployment about 60% of the community is indigent. This puts a serious strain on the municipality when it comes to collection of levies.

The Municipality finds it difficult to attract investors in this area due to the fact that our infrastructure is too old and is not sufficient to carry the growing industries. Mining has always been a primary sector for job creation after agriculture but this situation has changed. The problem is that the municipality is left with large pieces of land that need to be rehabilitated due to old mining activities especially in Boitumelong and the areas between Boitumelong and Bloemhof this situation has resulted the municipality not being able to develop big portions of land available.

CHAPTER 2: PERFORMANCE HIGHLIGHTS

2.1 Performance highlights

The following functions are provided by the municipality to all the residents within its area of jurisdiction: Water supply, Sanitation, Electricity supply, Refuse Removal, Roads and Storm water etc.

The municipality is however not the water services provider and is only responsible for portable water as the district municipality is the water services provider

2.2 Performance on Developmental Priorities Identified in the IDP

The municipality has set some strategies to assist in the achievement of the priorities set in its IDP. There have been some challenges in achieving some of the priorities due to lack of funding.

2.2.1 The municipality made sure that communities are involved in identifying the projects through community meetings. Meetings were also held with the IDP representative Forum as well as elected ward committees to discuss strategies for the implementation of the projects. The following projects were identified for implementation in the 2008/2009 IDP:

BACKLOGS

Electricity

The biggest backlogs are found in the municipal infrastructure, roads, water and electricity. The municipality experiences a lot of electricity drips during winter due to old electricity infrastructure. The transformers are also very old and this problem will take some time to resolve due to financial problems faced by the municipality.

Water

There is about 1500 households without access to water on stand these people are still fetching water within 200m from their homes this matter will however be addressed with the connection of 500 households in the financial year 2008/2009. Apart from the 1500 households with no access to water on stand; all other households have access to water on stand except for the 1200 informal settlements in Boitumelong. Utlwanang have eradicated the outstanding water connections as 30 June 2009.

Sanitation

There is about 2000 households without proper sanitation, and they will all be connected in the next financial year 2009/2010.

The other problem has been old and insufficient sewerage infrastructure.

This problem is however being address through the construction and upgrading of the sewer treatment plant in Bloemhof and Christiana. In Christiana there are about 375 households, and 75 households in Bloemhof with pat latrine without ventilation. This situation will also not be addressed anytime soon due to lack of funds.

Roads

There is a backlog of 70km of roads that need upgrading, construction and resealing. The situation is such that only 6km of roads will be resealed in the 2008/2009 financial year due to lack of funding. The total roads backlog amount to R 140m. New construction road in Boitumelong have started during the financial year of 2008/2009.

Housing

The total housing backlog is 5000 with a budget need of R178.8 m. Only one thousand houses were started to build on the last two quarters of financial year 2008/2009.

Waste Management

The municipality does not have proper and licensed landfill sites, the two that are available are too small and not regulated. Dairy Belle waste line is still a big challenge for the municipality due to breaking down every two weeks in a month.

2.3 Level and standard of service

2.3.1 Free Basic Services

The municipality has developed and is fully implementing an indigent policy. At the moment all households are receiving free basic water (6kl) per month, only registrated indigent received additional (3 kl). 4700 households are registered on our indigent register. We subsidized registrated indigent by free basic electricity of 50kw per month. An indigent register has been developed and is updated on an ongoing basis but there is poor communication between ESKOM and the municipality with regards the indigent register as not all indigent households receive free basic electricity tokens.

2.3.2 Revenue Collection

The municipality has established a debt collection unit which is fully functional. The level of outstanding debtors is however still very high as most of the people in the municipal area of jurisdiction is indigent. The payment level stand at 76% for Christiana and 72% for Bloemhof which makes the total of 74% of payment level for the whole municipality.

Payment Level in %

Area	**2006/2007**	**2007/2008**	**2008/2009**
Bloemhof	72	75	70

Christiana	92	85	80
Utlwanang	10	10	10
Boitumelong	10	10	10

These figures excludes Equitable Share.

2.4 Relating Backlogs to Municipal Spending on Service Delivery Infrastructure

SERVICE	BACKLOG	ESTIMATED BUDGET
Housing	**5800**	**R 200m**
Roads	**70km**	**R 140m**
Electricity and Street Lighting	**40% which includes infrastructure** **24 High Mast Lights**	**R 35m** **R 8,99m**
Sanitation and Water	**5000**	**R 40m** **R 45m**
TOTAL		**R 468.99**

CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT ISSUES

3.1 Introduction

This chapter will concentrate on the municipality's human resources and other organizational management issues including the political wing of the municipality. It will look at the municipality's Skills Development as well as the Employment Equity.

With the appointment of managers directly accountable to the Municipal Manager, the placement of staff was completed and there is now stability within the municipal administration. The relationship between councilors and officials improved since 2004.

3.2 Organizational Structure

3.2.1 Political Structure

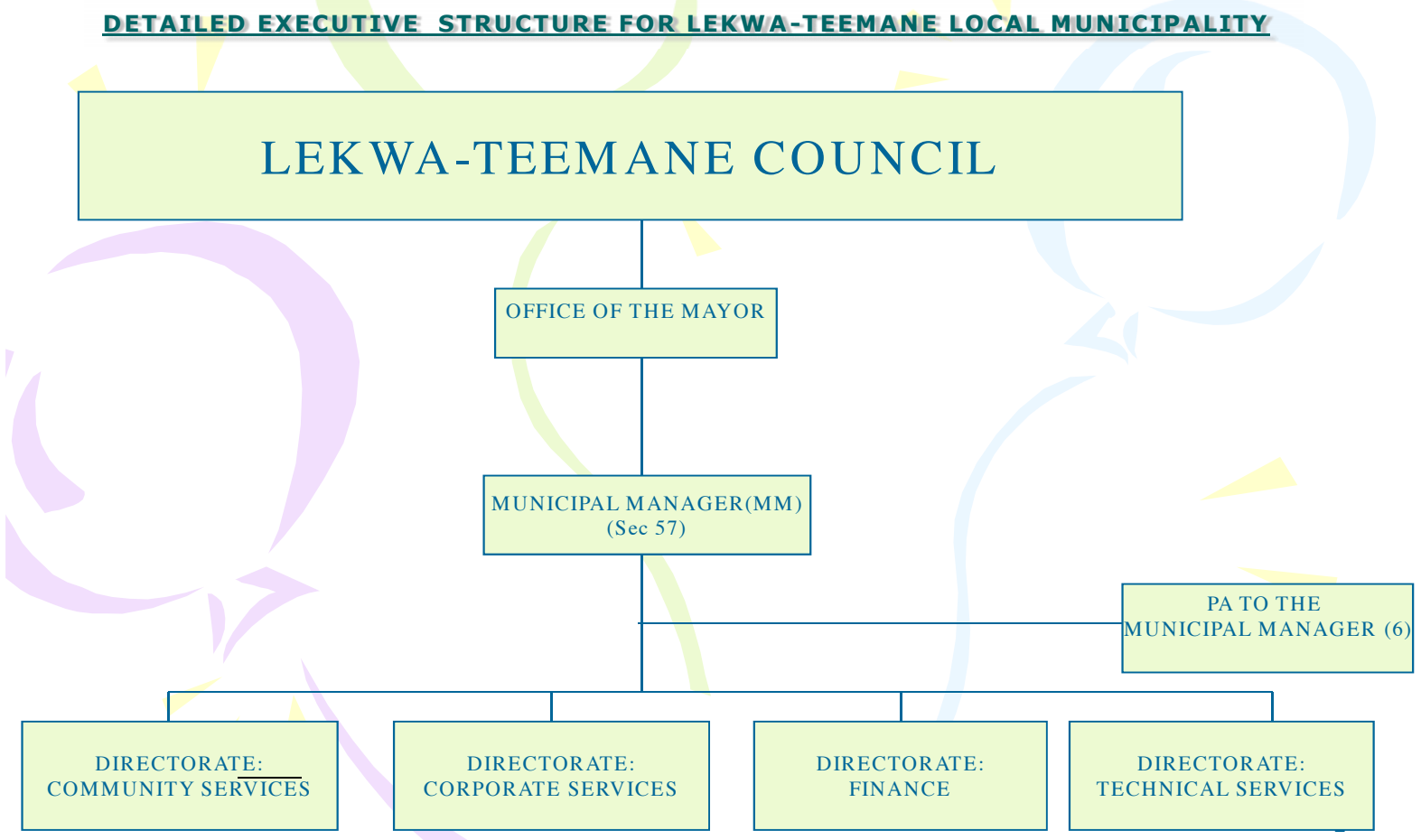
The structure of the municipality is made up of the administrative as well as the political wing. The political structure is made up of six portfolio committees which are each headed by a councilor as chairperson. The political structure of the municipality is made up as follows:

NAME OF COUNCILOR	COMMITTEE	POSITION
1. K.M Segalo		Mayor
2. M.I. Mabala	Health & Social Services	Chairperson
3. M. R. Makodi	LED & Infrastructure	Chairperson
4. P. Letebele	Governance and Administration	Chairperson
5. K.M. Modise	LED & Infrastructure	Member
6. K.L. Duiker	Health & Social Services	Member
7. G. Pencil	Health & Social Services	Member
8. W.B. Percival	LED & Infrastructure	Member
9. A. Buys	Governance & Administration	Member
10.K.J. Bojong	Governance and Administration	Member
11.D.Muller	Governance and Administration	Member

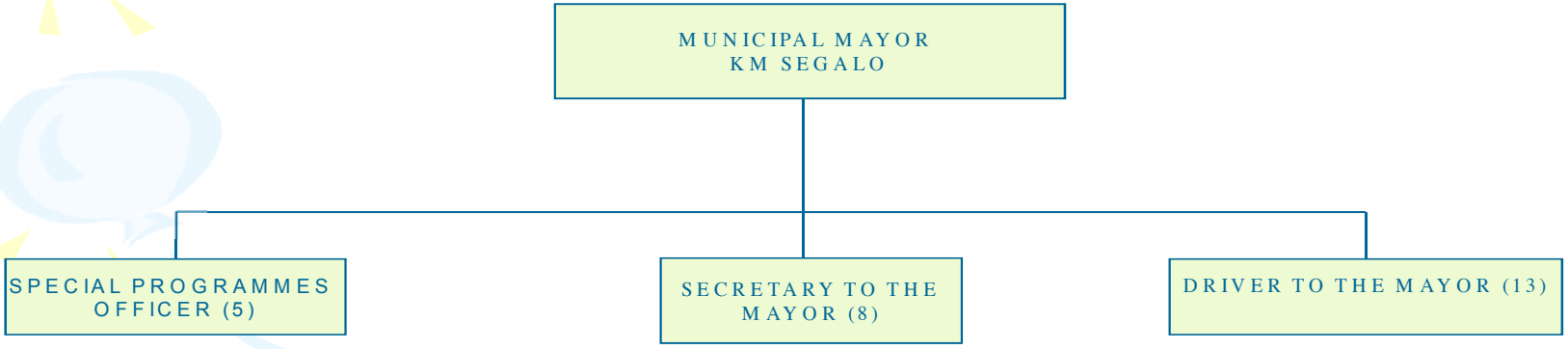
3.2.2 Administrative Structure

The head of administration is the municipal manager and the municipal administration is made up of four (4) departments.
The Municipal Organization Structure is reviewed annually and linked to the IDP and budget in 2008/2009

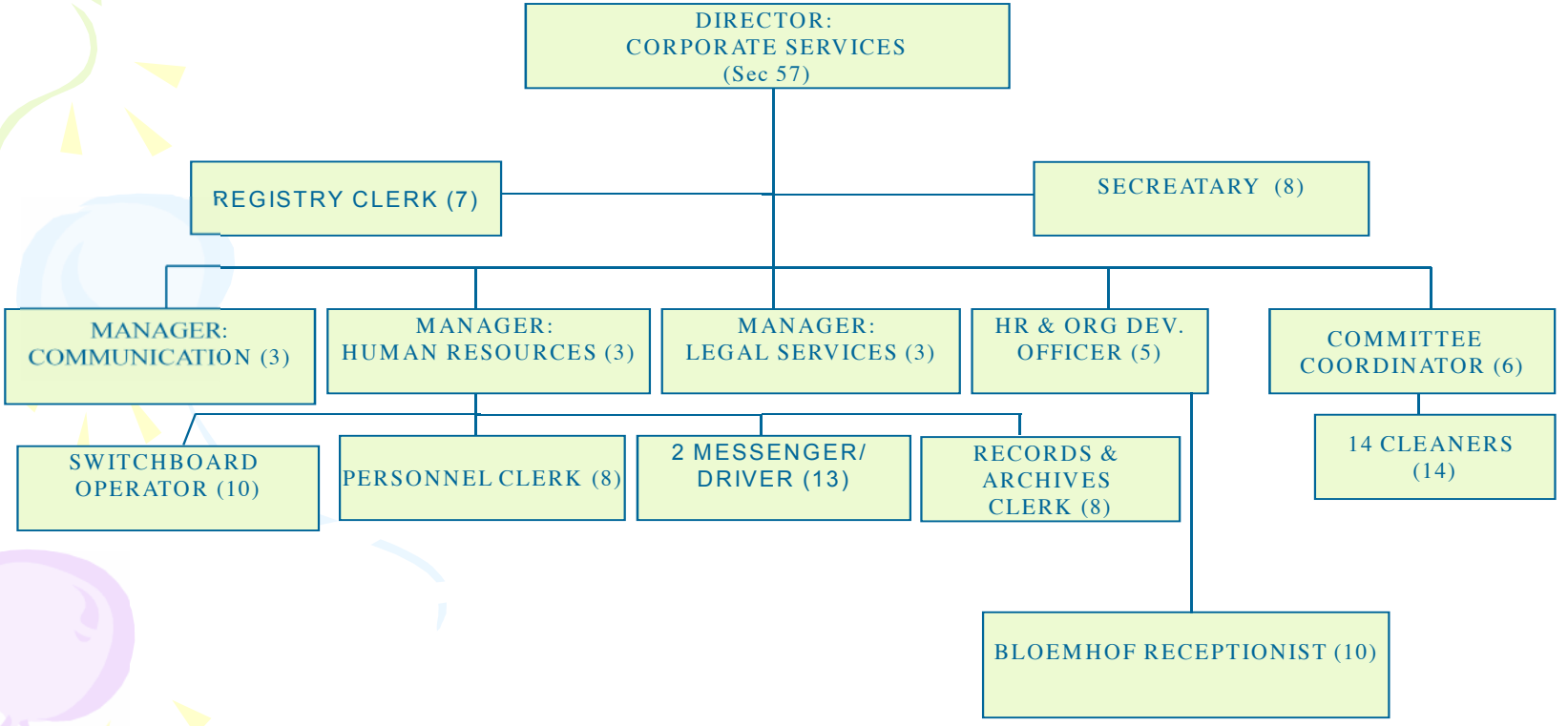
Lekwa-Teemane Municipality Organizational Structure



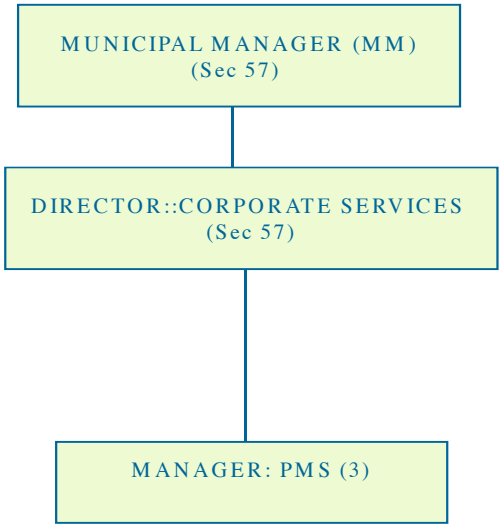
DETAILED STRUCTURE FOR THE MAYOR'S OFFICE



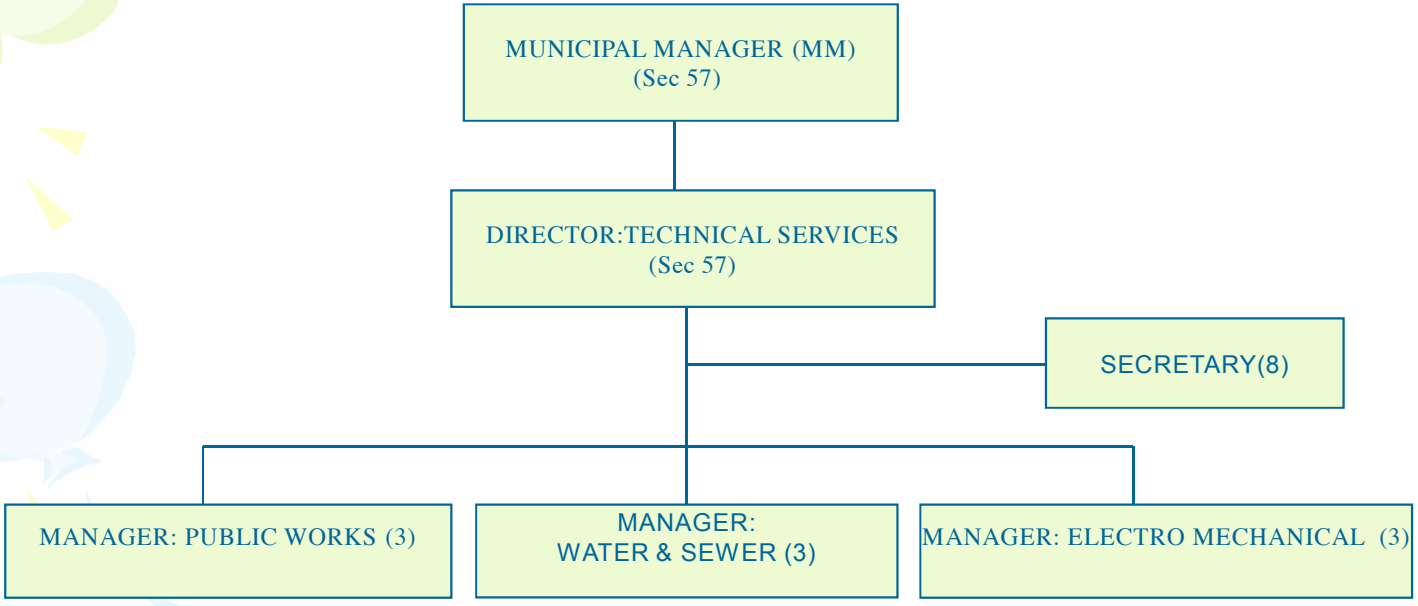
DETAILED STRUCTURE FOR THE DIRECTORATE: CORPORATE SERVICES



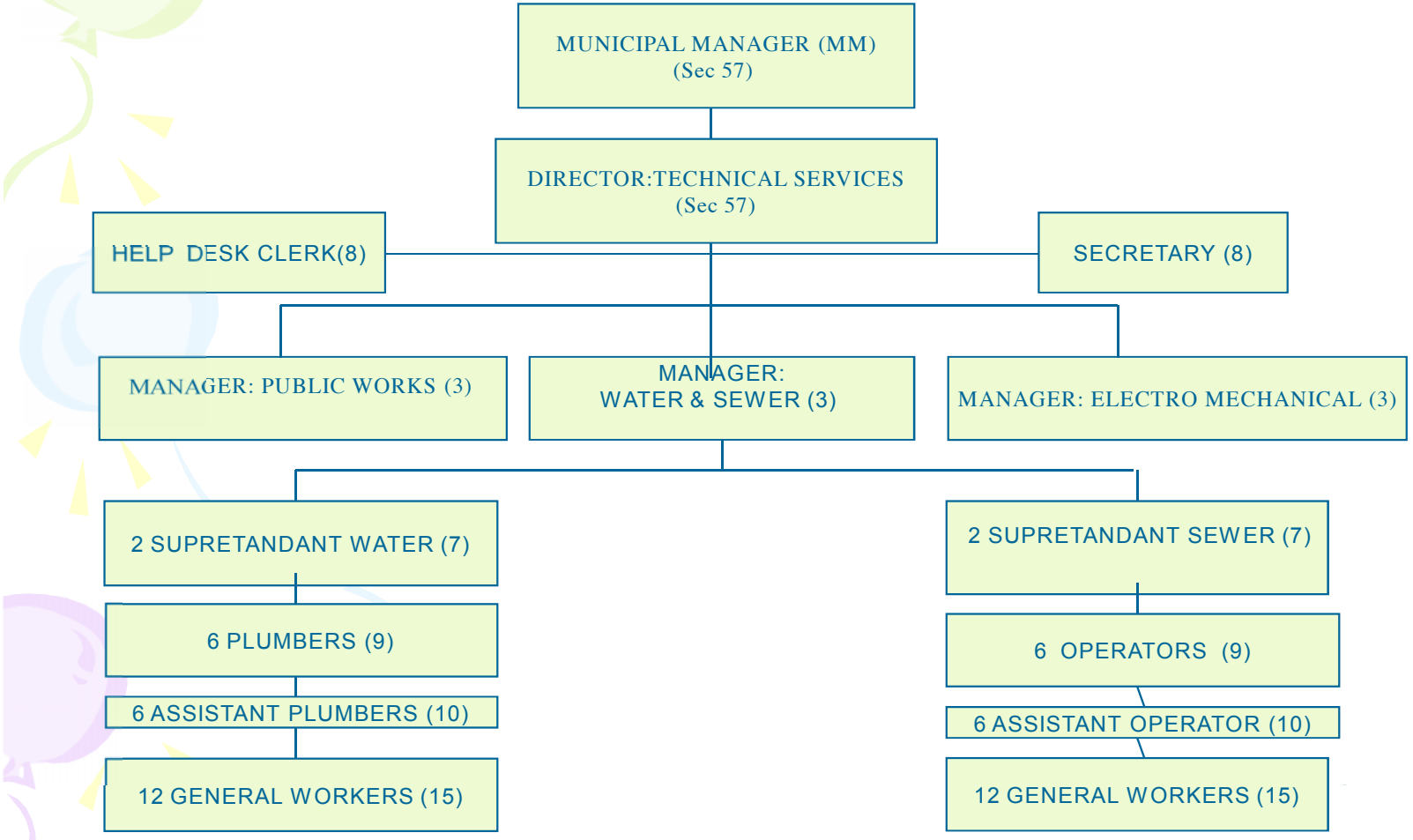
DETAILED STRUCTURE FOR THE CORPORATE SERVICES



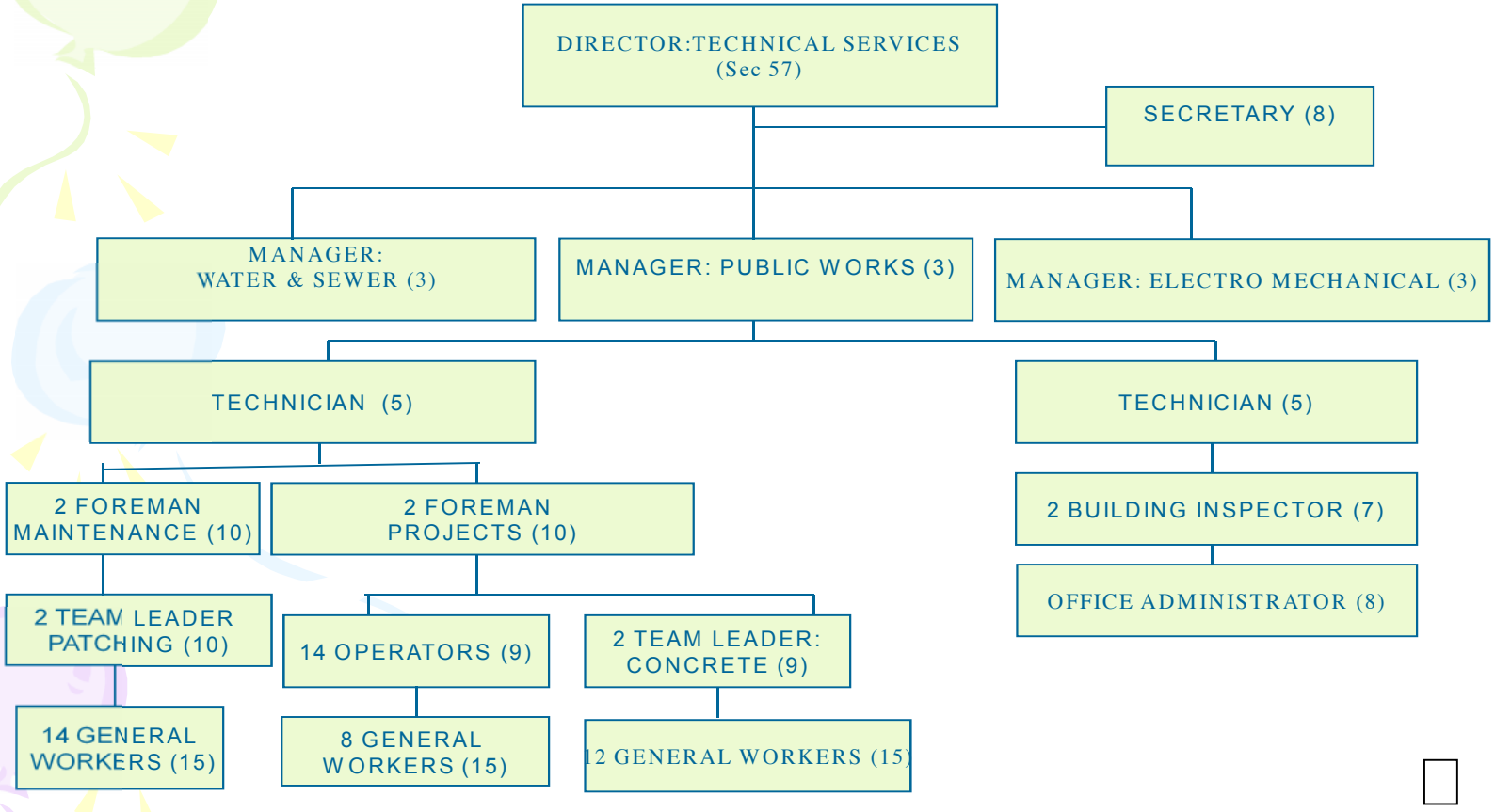
DETAILED STRUCTURE FOR THE DIRECTORATE: TECHNICAL SERVICES



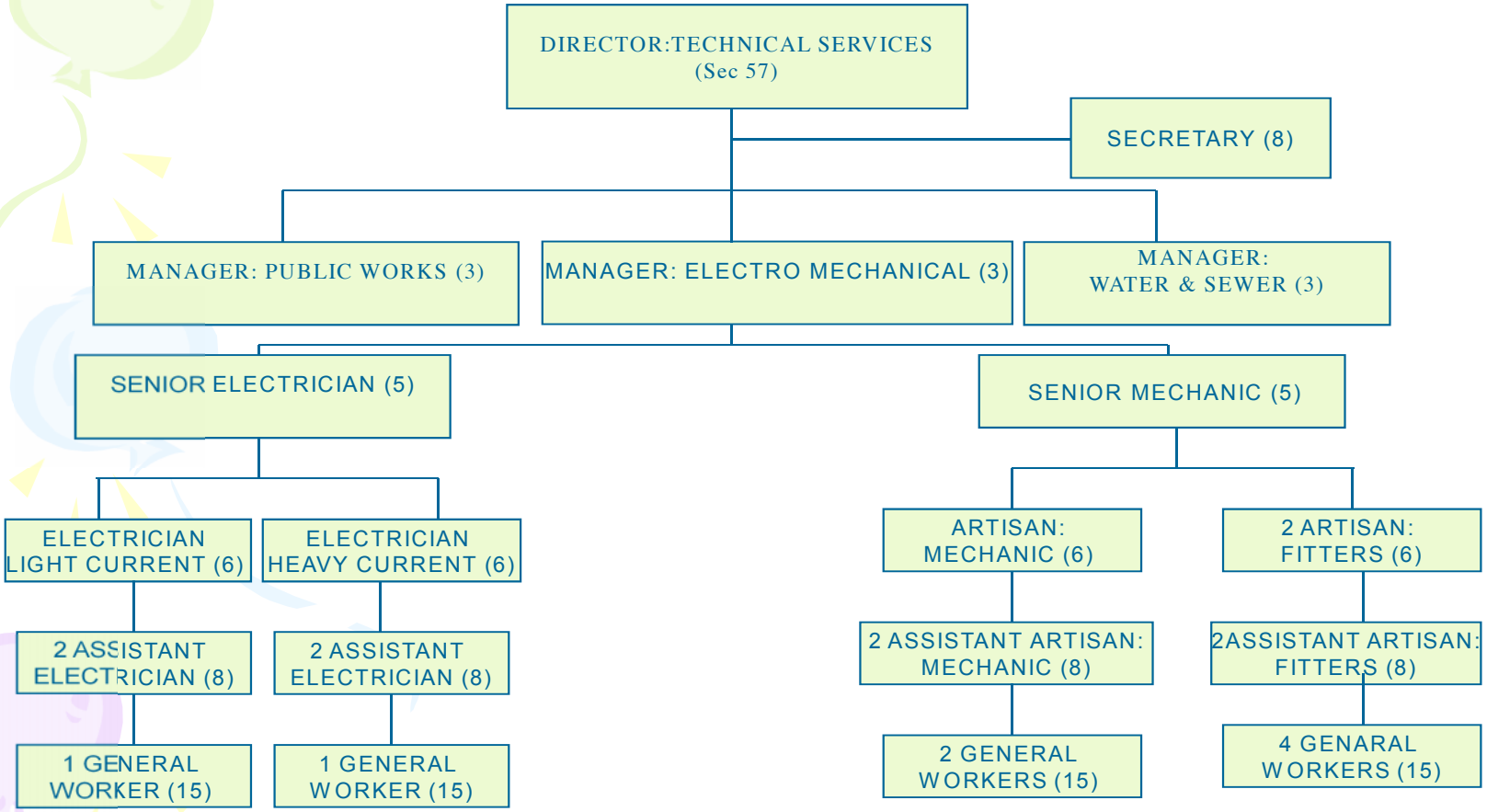
DETAILED STRUCTURE FOR WATER & SANITATION SERVICES



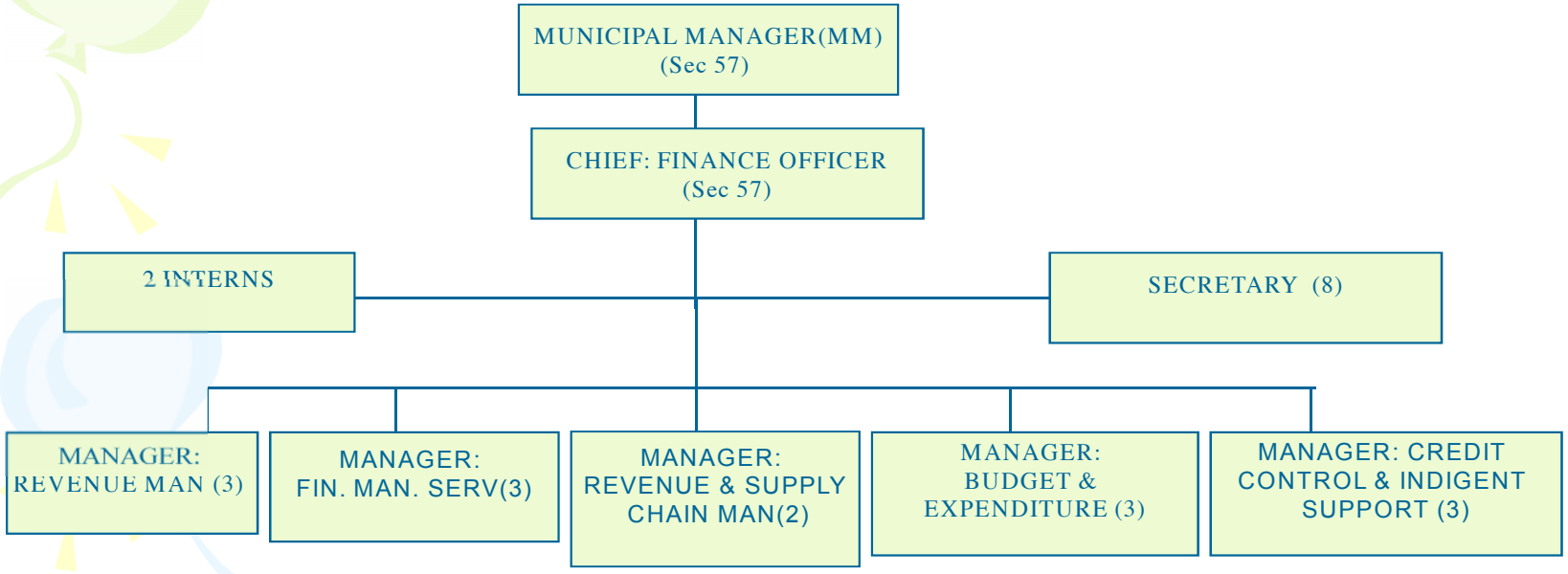
DETAILED STRUCTURE FOR THE DIRECTORATE: TECHNICAL SERVICES



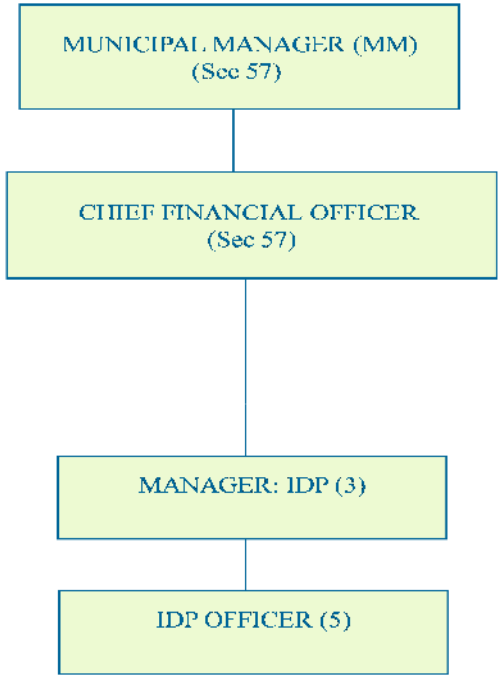
DETAILED STRUCTURE FOR THE DIRECTORATE: TECHNICAL SERVICES



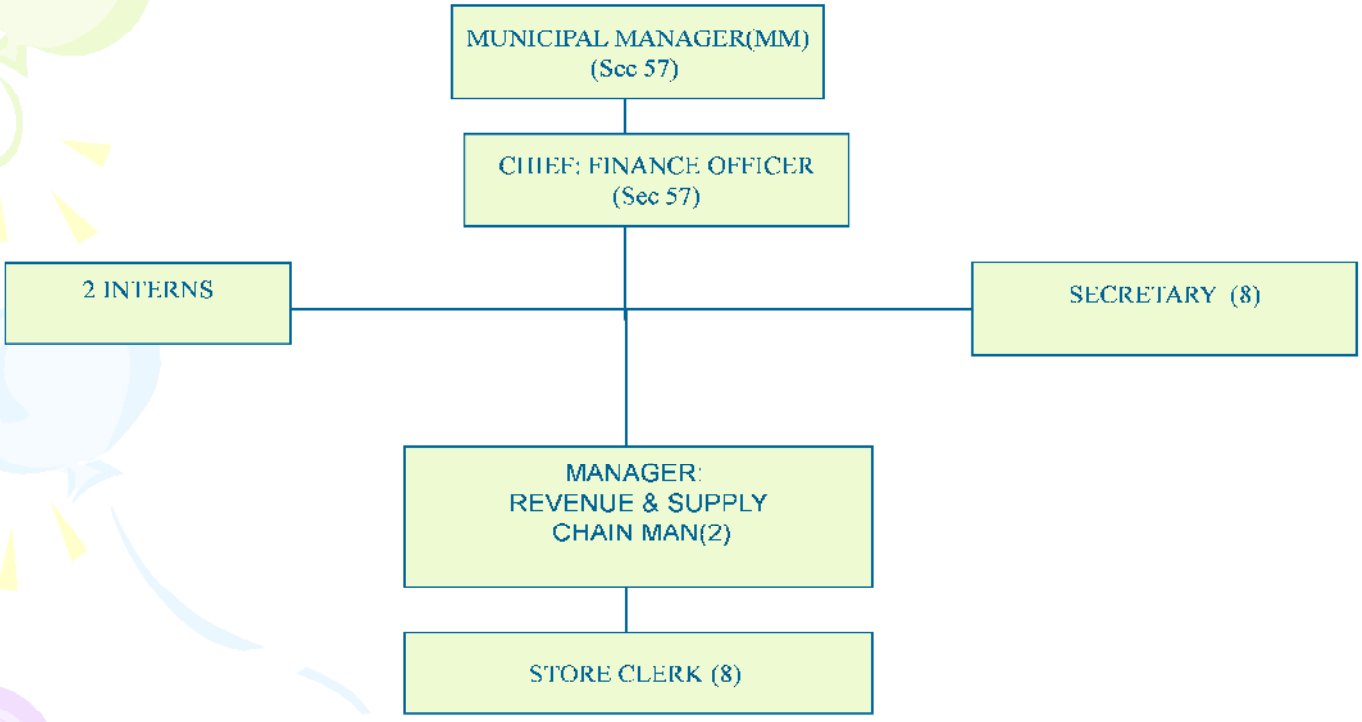
DETAILED **STRUCTURE FOR THE DIRECTORATE: FINANCIAL SERVICES**



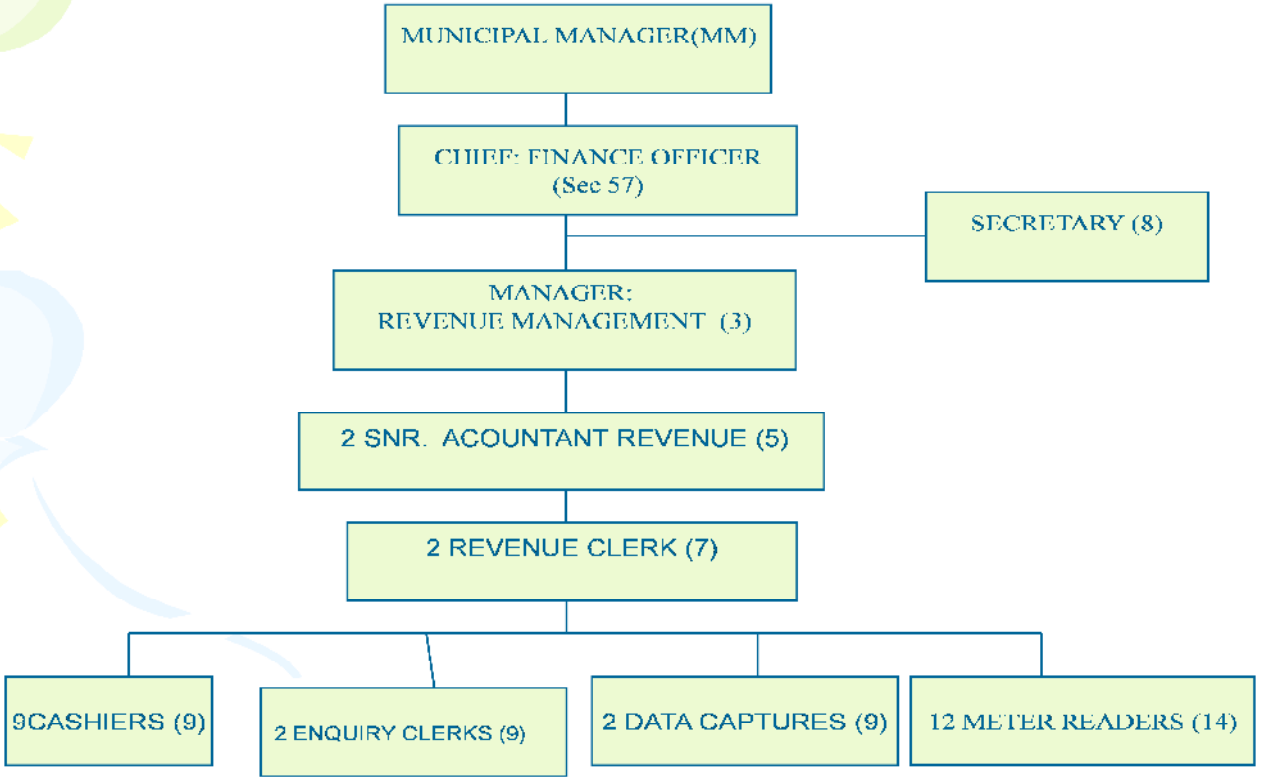
DETAILED STRUCTURE FOR THE IDP/PMS SERVICES



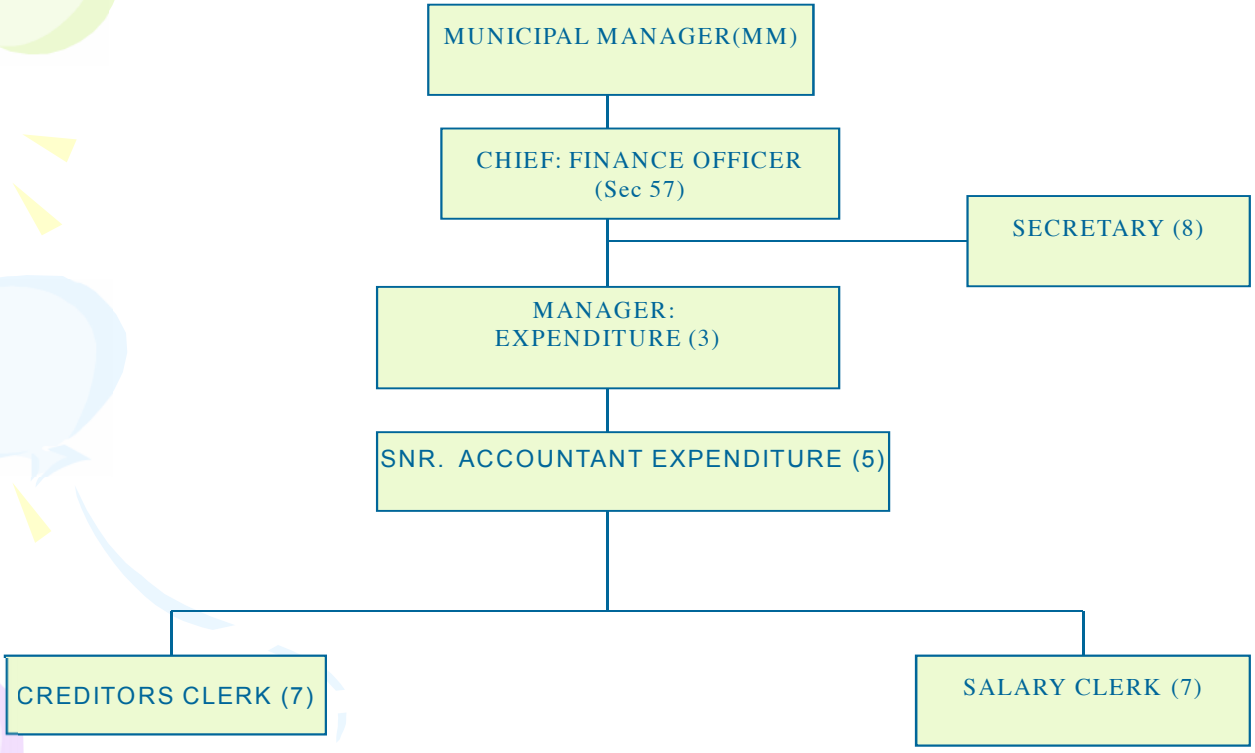
DETAILED **STRUCTURE FOR THE DIRECTORATE: FINANCIAL SERVICES**



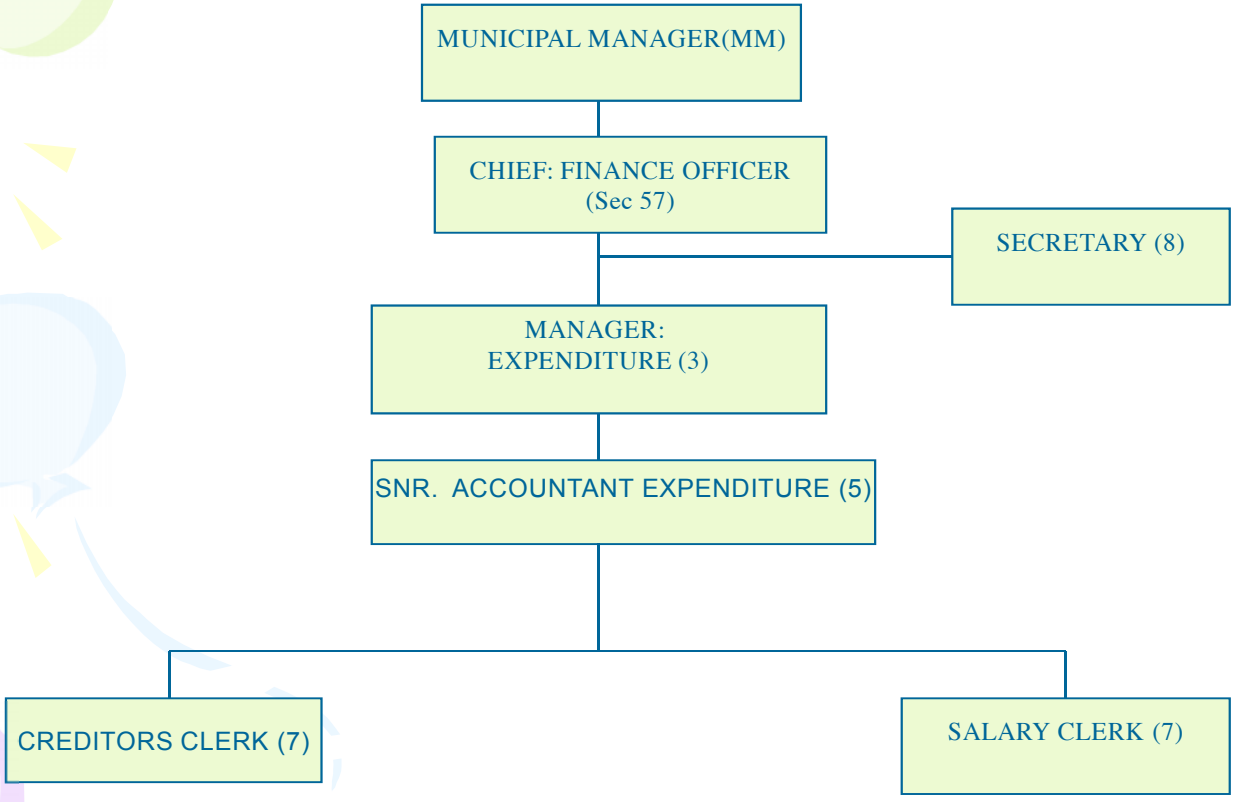
DETAILED **STRUCTURE FOR INCOME FINANCIAL SERVICES**



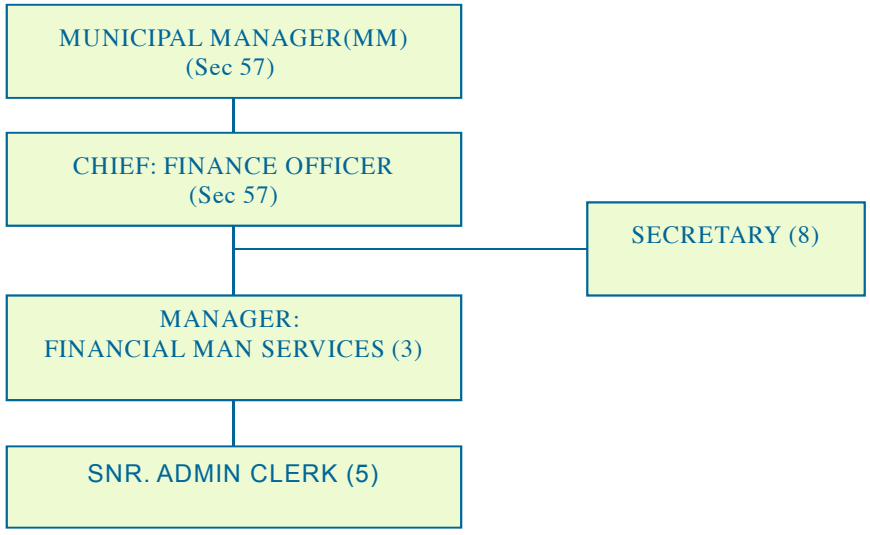
DETAILED STRUCTURE FOR EXPENDITURE FINANCIAL SERVICES



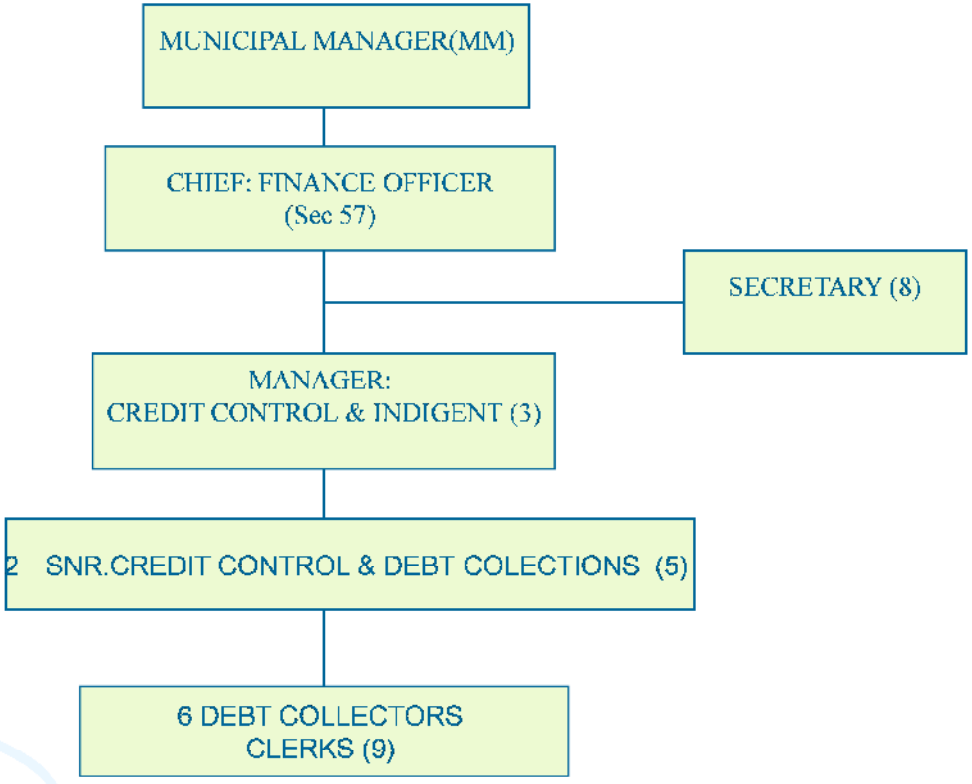
DETAILED **STRUCTURE FOR EXPENDITURE FINANCIAL SERVICES**



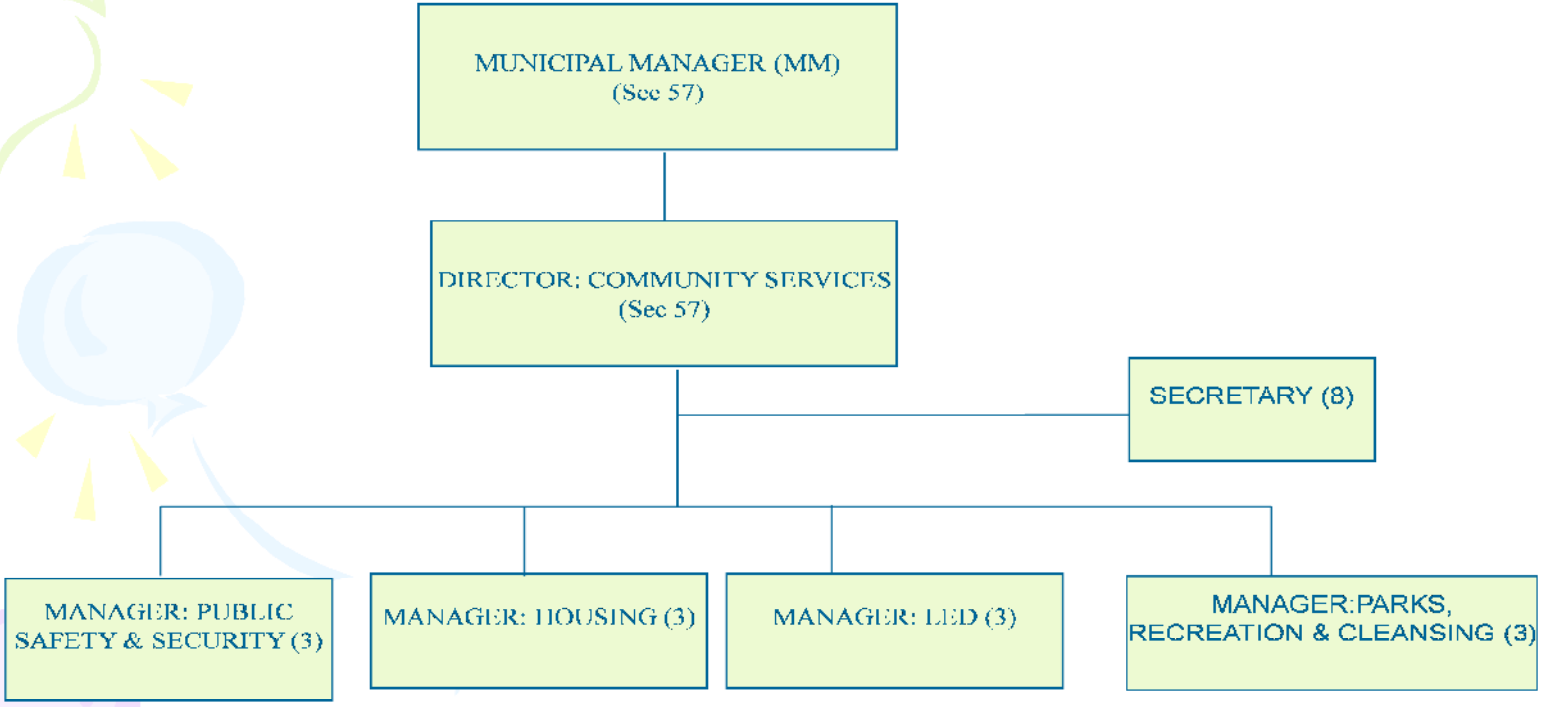
DETAILED **STRUCTURE FOR FINANCIAL MANAGEMENT SERVICES**



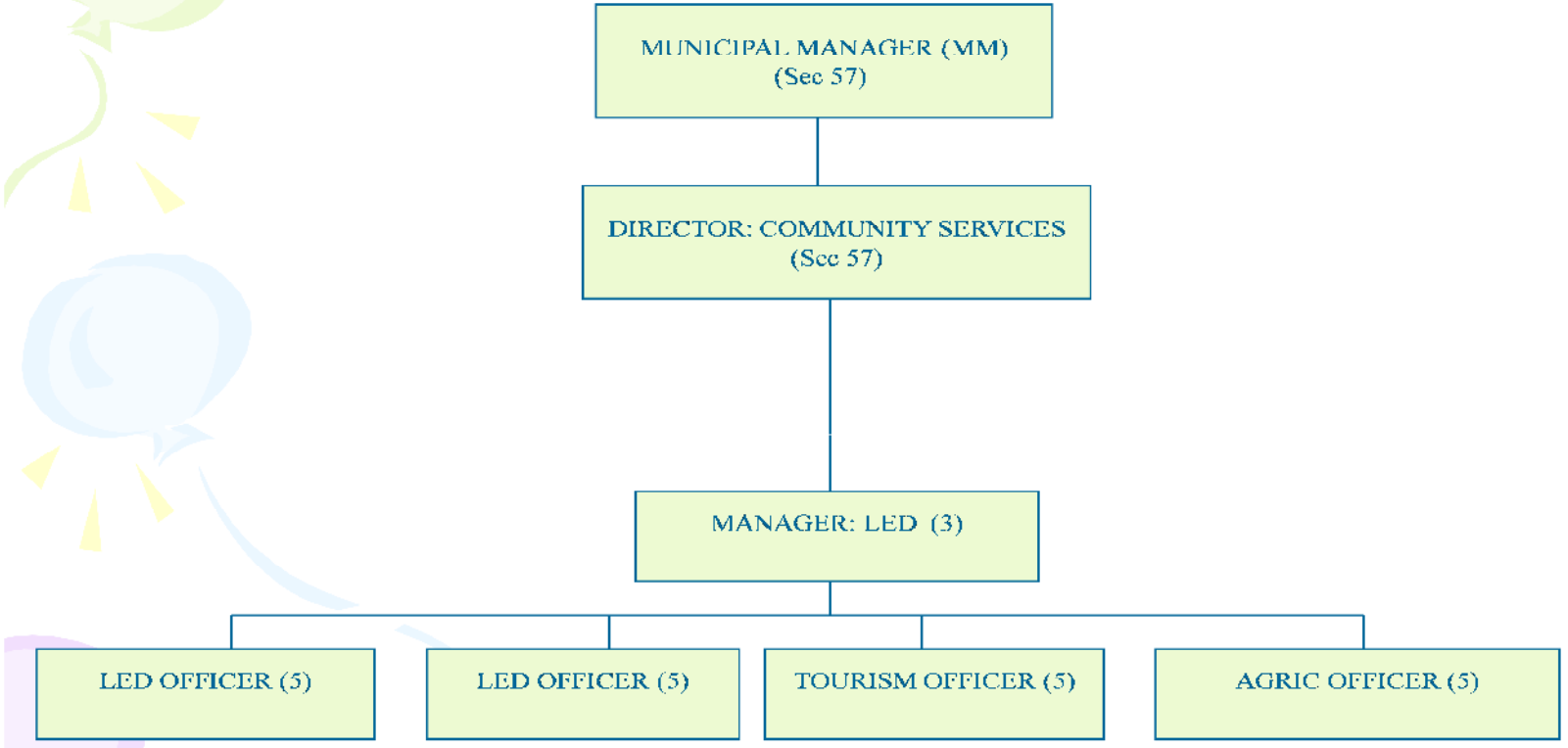
DETAILED **STRUCTURE FOR CREDIT CONTROL & INDIGENT SUPPORT SERVICES**



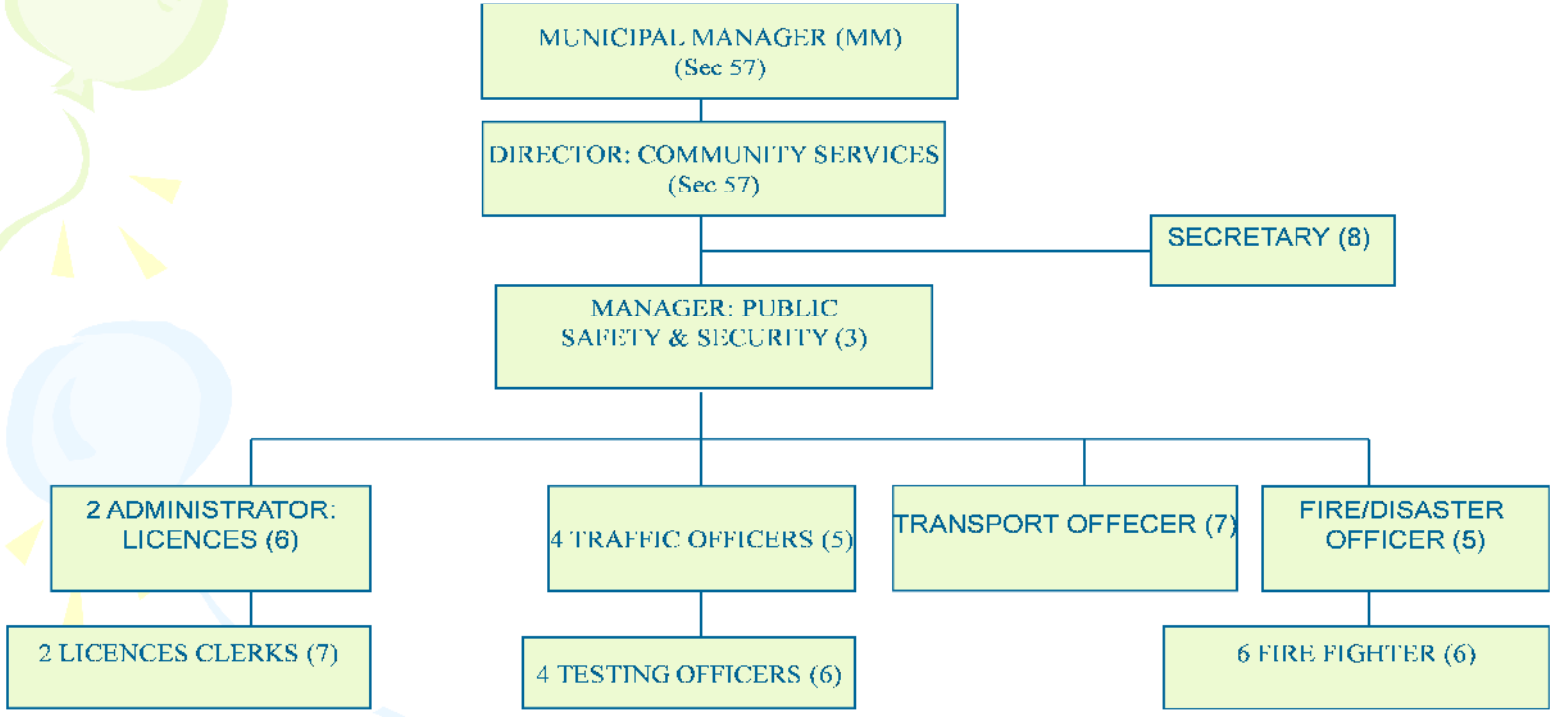
DETAILED STRUCTURE FOR THE DIRECTORATE: COMMUNITY SERVICES



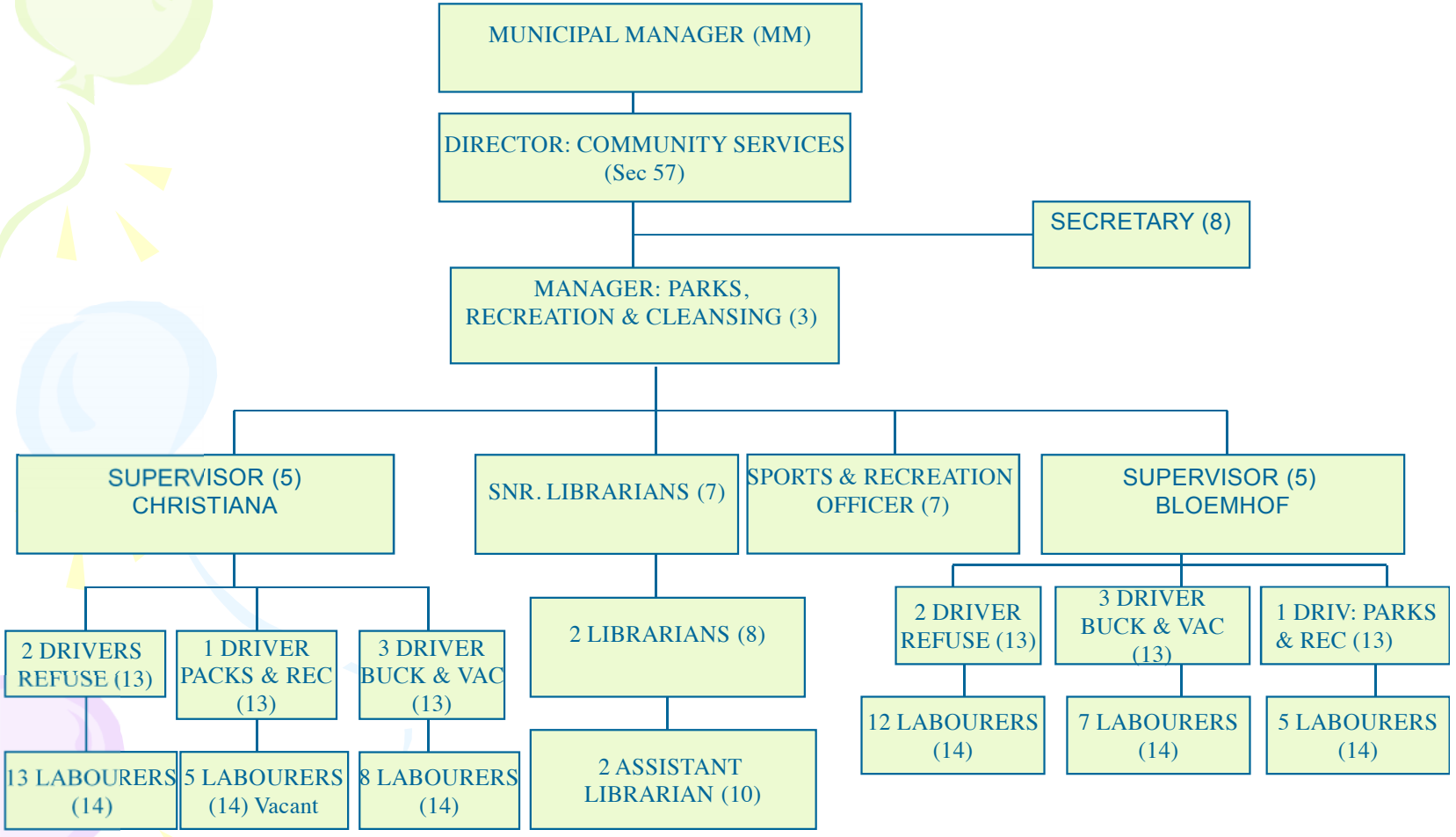
DETAILED STRUCTURE FOR THE IDP/PMS SERVICES



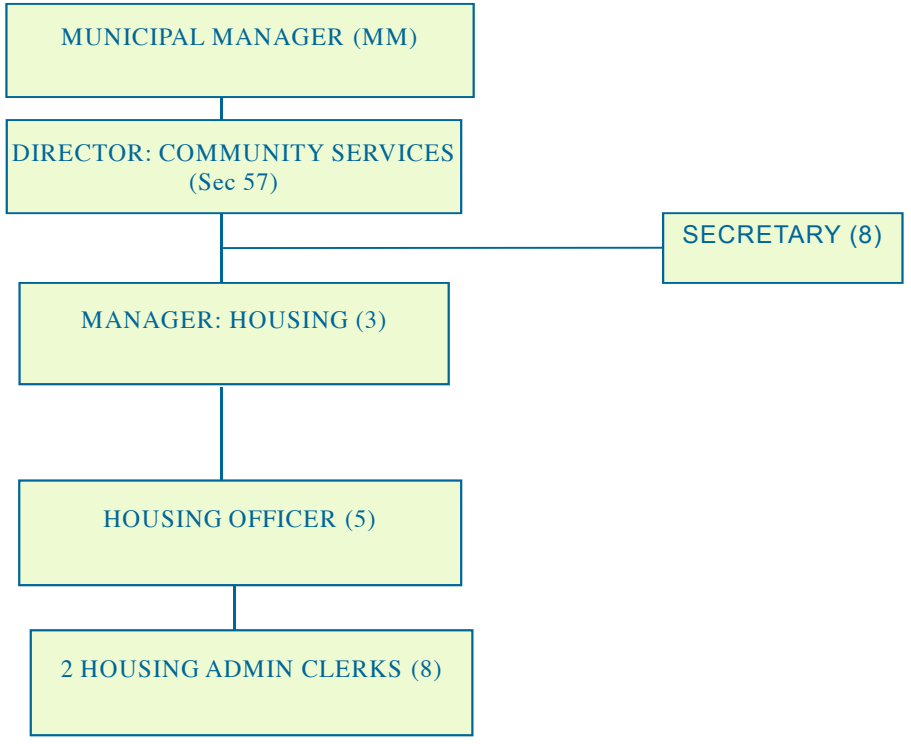
DETAILED STRUCTURE FOR PUBLIC SAFETY &SECURITY SERVICES



DETAILED STRUCTURE FOR PARKS & RECREATION SERVICES


MUNICIPAL MANAGER (MM)
DIRECTOR: COMMUNITY SERVICES (Sec 57)
SECRETARY (8)
MANAGER: PARKS, RECREATION & CLEANSING (3)
SUPERVISOR (5) CHRISTIANA
SNR. LIBRARIANS (7)
SPORTS & RECREATION OFFICER (7)
SUPERVISOR (5) BLOEMHOF
2 DRIVERS REFUSE (13)
1 DRIVER PACKS & REC (13)
3 DRIVER BUCK & VAC (13)
2 LIBRARIANS (8)
2 DRIVER REFUSE (13)
3 DRIVER BUCK & VAC (13)
1 DRIV: PARKS & REC (13)
13 LABOURERS (14)
5 LABOURERS (14) Vacant
8 LABOURERS (14)
2 ASSISTANT LIBRARIAN (10)
12 LABOURERS (14)
7 LABOURERS (14)
5 LABOURERS (14)

DETAILED STRUCTURE FOR HOUSING SERVICES



3.2.3 Staff composition

The total staff component for the municipality is 234 with 218 filled positions and 16 vacancies.
The organizational structure was reviewed to make sure that it is aligned to the IDP so that relevant functions can be developed to make it possible for the municipality to implement its IDP with own its work force. As it is highlighted in the structure, departments are allocated functions that are aligned to the national key KPA as well as the municipality's Key Focus Areas.

The problem however exists in the Technical Services Department as there are no professional and skilled personnel as it is required especially for water, sanitation and electricity. The only qualified official in this department is the director. This therefore means that the municipality has a challenge in making sure that this department which is key should be properly staffed. In an attempt to address some of these problems, the municipality has advertised the post of a qualified mechanic and electrician. A number of learners are also used to assist in imparting skill. The other challenge facing the municipality is lack of dedicated unit for Local Economic Development. This function is performed in the Directorate of Community Services by the manger responsible LED.

3.2.4 Composition of Section 57 Managers

- Municipal Manager: Occupied on five year contract.
- Chief financial officer: Occupied on five year contract.
- Director Corporate Services: Acting capacity.
- Director Community Services: Acting capacity.
- Director Technical: Acting capacity

Trends on Total Councillors and Management Remuneration Expenditure over the last two years and current years
3.2.5

COUNCILLORS	**2009**	**2008**
MAYOR ALLOWANCE	R 167,996.00	R 189,622.00
FORMER MAYOR ALLOWANCE	R 200,344.00	-
COUNCILLORS ALLOWANCE	R1,147,419.00	R 1,032,646.00
PENSION FUND CONRTRIBUTION	-	-
TELEPHONES& CELLPHONE ALLOWANCES	R 195,947.00	R 174.949.00
TRAVELING ALLOWANCE	R 491,750.00	R 406,019.00
OTHER ALLOWANCE	-	-
TOTAL	**R 2,203,425.00**	**R 1,803,236.00**

3.2.6

MANAGEMENT	**2009**	**2008**
MUNICIPAL MANAGER	R 612,256.00	R 497,537.00
CHIEF FINANCIAL OFFICER	R 530,942.00	R 448.007.00
SENIOR MANAGERS	R 1,486,595.00	R 1,387,786.00
TOTAL	**R 2,629,793.00**	**R 2,333,330.00**

3.3 Skills Development and Employment Equity Plan

Our WSP make provision for development of skills for community members, but due to financial constrains. We are unable to put them through programmers' that are on the WSP. We also have a bursary scheme that also makes provision for community members to be assisted with finance, to be able to further their studies. Only about 30% performance has been achieved in training and development. Implementation of the skills plan is also not coordinated.

The Employment Equity Plan which was developed by Simeka in 2004 was reviewed and adopted by council in 2005 to ensure that the Municipality is complying with the developed document.

Council employment ratios that reflect the racial demographics of the community of Lekwa-Teemane of 77% Africans, 8% Colored, and 14, 5% Whites. A gender ratio of 50% females and 5% with disabilities. The Employment Equity Plan has been developed for the period 1 June 2008 – 30 July 2009.The municipality has appointed an official as an Employment Equity Officer.

3.3.1 Consultation mechanism/awareness

Local Labor Forum is fully operational with members representing both the employer and representatives from the labor for consultation purposes. In addition staff meetings are also held and notices placed at various locations in the municipality to make information available to all staff members. Management meetings sit on a monthly basis to discuss achievement in as far as employment equity is concerned. It is the concern of management however that there is little progress in as far as transformation is concerned in the department of finance.

3.3.2 Policies

All new policies were reviewed to make sure that they do not contain any forms of direct or indirect discrimination.

3.3.3 Affirmative Action Measures

The Affirmative Action Measures have been identified and outlined in various Council policies in order to meet the Employment Equity objectives.

3.3.4 Reporting

Reporting on employment equity is done monthly at management level. Reporting to council is done quarterly through the report of the municipal manager.

3.4 Municipal Transformation and Institutional Development

In an attempt to make sure that there is transformation within the municipality and to make sure that the municipality operates smoothly, policies to this effect were reviewed and adopted by Council. The following policies were reviewed:

3.5 Performance

The total salary budget for the municipality stands at 35%. It is a bit difficult to reduce this situation at this point but it has been resolved that all the senior positions should be in terms of the priorities identified in the IDP. The transfer of environmental health officers to the district has helped to reduce the total salary budget. The municipality has not been able to reduce the vacancy level which stands high at about 15%.

Grants received by the municipality

GRANTS	**2009**	**2008**
FMG	R 500,000.00	R 250,000.00
MSIG	R 735,000.00	R 734,000.00
MIG	R 6,488,000.00	R 4,029,828.49
Equitable share	R 13,311,000.00	R 10,249,063.00
Library (Operational)	R 400,000.00	R 400,000.00
Library(Capital)	-	R 1,500,000.00
TOTAL	**R 21,434,000.00**	**R 17,162,891.49**

CHAPTER 4

REPORT OF THE AUDITOR-GENERAL AND AUDITED FNANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

"NW396"

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

TABLE OF CONTENTS

	PAGE
1. GENERAL INFORMATION	*54*
2. APPROVAL OF FINANCIAL STATEMENTS	*55*
3. REPORT OF THE CHIEF FINANCIAL OFFICER	*56 - 58*
4. ACCOUNTING POLICIES	*59 - 61*
5. BALANCE SHEET	*62*
6. INCOME STATEMENT	*63*
7. CASH FLOW STATEMENT	*64*
8. NOTES TO THE FINANCIAL STATEMENTS	*65 - 71*
9. APPENDICES:	
A - STATUTORY FUNDS, RESERVES AND TRUST FUNDS	*72*
B - EXTERNAL LOANS AND INTERNAL ADVANCES	*73*
C - ANALYSIS OF FIXED ASSETS	*74*
D - ANALYSIS OF OPERATING INCOME & EXPENDITURE	*75*
E - DETAILED INCOME STATEMENTS FOR THE YEAR 30 JUNE 2009	*76*
F - STATISTICAL INFORMATION	*77*

LEKWA TEEMANE LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

Clr	K. M. Segalo (Mayor)
Clr	K. J. Bojong (ME)
Clr	A. Buys (ME)
Clr	K. L. Duiker (ME)
Clr	M. P. Letebele
Clr	I. M. Mabala
Clr	R. M. Makodi (ME)
Clr	D. J. Muller
Clr	G. Pencil (ME)
Clr	W. B. Percival
Clr	K. L. Modise (ME)

GRADING OF THE LOCAL MUNICIPALITY

Grade 5

AUDITORS

Auditor-General

BANKERS

ABSA

REGISTERED OFFICE

Corner Dirkie Uys & Robyn Street	P. O. Box 13	Tel: 053 441 2206/8
CHRISTIANA	CHRISTIANA	Fax No: 053 441 3755
2680	2680	

MUNICIPAL MANAGER

Mr. M. A. Makuapane

CHIEF FINANCIAL OFFICER

Mr. K. T. Makhale

LEKWA TEEMANE LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS - 30 JUNE 2009

As Accounting Officer, in terms of section 126(1)(a) of the Municipal Finance Management Act no 56 of 2003, I am responsible for the preparation of the annual financial statements as set out on pages 6 to 24 and which I have signed on the behalf of the Lekwa -Teemane Local Municipality.

I certify, in terms of section 124(1) of the Municipal Finance Management Act, that the salaries, allowances and benefits of Councillors as disclosed in the notes to the annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act(20 of 1998) and determination by Minister of Cooperative Governance and Traditional Affairs in terms of the said Act.

Mr. K. T. Makhale

ACTING MUNICIPAL MANAGER

(ACCOUNTING OFFICER)

31 AUGUST 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

To the best of my knowledge and based on the financial records of the Lekwa Teemane Local Municipality, the annual financial statements fairly presents the state affairs of the municipality, its performance against budget, its management revenue, expenditure, assets and liablilities, its business activities, its financial results for the year ended 30 June 2009 and its financial position as at the end of the financial year ended on 30 June 2009. Amounts disclosed are in accordance with the financial records and the annual financial statements of the Municipality. Information provided does not contradict information disclosed in the annual financial statements.

2. OPERATING RESULTS

Details of operating results by classification, object of expenditure and department are set out in Appendices D & E. Pertinent statistics are reflected in Appendix F. The operating results for the year ended 30 June 2009 disclose a deficit of R45.8 million.

The overal results are shown in Section 9 of the Report.

3. CAPITAL EXPENDITURE

Capital expenditure in the current year amounted to R7,405,576 whilst it was R1,940,482.00 in the previous year. Current additions mainly relates to infrastructure related assets and leased assets, which were R4,079,927 and R1,957,409 respectively. These assets are capitalised in the books of the municipality.

4. EXTERNAL LOANS

External loans taken from the Development Bank of South Africa and ABSA are not yet fully redeemed. The total loan balance at year end amounted to R20,637,649 and an amount of R11,360,900 will be repaid in the next financial year. Some of the amounts will be fully redeemed by 2015.

5. INVESTMENTS

On 30 June 2009 investments amounted to R1 229 982. All of these were money market investments with local financial institutions during the year. During the year R2 million was withdrawn from the investments account.

Average rate of return for the year was 8.9% (2008: 6.7%).

6. CASH

At 30 June 2009, cash at bank amounted to (R299 934) compared to prior year amount of (R14 549 406)

7. FUNDS AND RESERVES

At 30 June 2009, the balance in the trust fund account was R1,613,547. An amount of R8 374 000 was received in the 2008/2009 financial year. An amount of R8 260 453 was utilised in various approved capital and operational projects whilst R194 589 was written off during the year. Closing balance represents retentions and other projects that are in progress.

8. PROVISIONS

Provisions of R3,524,866 were made for in the R2008/2009 financial year.

LEKWA TEEMANE LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

9. TABLE OF OPERATING RESULTS

The overall operating results for Lekwa Teemane Local Municipality for the year eneded 30 June 2009 are shown below:

Income	***Actual 2007/2008***	***Actual 2008/2009***	***Variance %***	***Budget 2009***	***Variance Actual/ budget %***
Opening Surplus	17,355,469.00	17,838,420.00	3	-	
Operating income	70,568,494.00	97,143,538.48	38	117 149 409	17
Closing Surplus/(Deficit)	3,472,494.00	14,144,290.86	307	-	
	91,396,457.00	**129,126,249.34**		**117 149 409**	
EXPENDITURE					
Opening Deficit	-	-		-	
Operating expenditure	73,558,037.00	142,934,947.91	94	116 757 419	(22)
Closing surplus	17,838,420.00	(13,808,698.57)			
	91,396,457.00	**129,126,249.34**		**116 757 419**	

The increase in operating income is mainly due revenue generated from assessment rates (increases effected during the current year), increases in traffic and licences as well as sewerage income.

The increase in operating expenditure is mainly due to a 20% increase on the following key transactions as well as the genarl inflationary levels:

	Increase (%)
Salaries	8.00
Capital charges	3.00
Contribution to fixed assets	2.00
General expenditure	7.00
	20.00

The following are analysis of the key operational sections of the municipality:

RATES AND GENERAL	***Actual 2007/2008***	***Actual 2008/2009***	***Variance %***	***Budget 2009***	***Variance Actual/ budget***
Income	38,765,386.00	58,877,136.77	52	76 530 705	23
Expenditure	40,421,807.00	102,799,903.43	154	79 229 968	(30)
Surplus/(Deficit)	(1,656,421.00)	(43,922,766.66)	2 552		

ELECTRIICITY SERVICE	***Actual 2007/2008***	***Actual 2008/2009***	***Variance %***	***Budget 2009***	***Variance Actual/ budget***
Income	19,028,292.00	22,279,603.20	17	24 713 744	10
Expenditure	19,175,385.00	25,083,695.00	31	23 816 413	6
Surplus/(Deficit)	(147,093.00)	(2,804,091.80)	1 806	897 331	

WATER SERVICES	***Actual 2007/2008***	***Actual 2008/2009***	***Variance %***	***Budget 2009***	***Variance Actual/ budget***
Income	12,774,816.00	15,986,798.51	25	15 904 960	(1)
Expenditure	13,960,845.00	15,051,349.48	8	13 711 038	(10)
Surplus/(Deficit)	(1,186,029.00)	935,449.03	(179)	2 193 922	

11. APPRECIATION

My appreciation goes to the Mayor, Councillors, the Municipal Manager, Executive Managers, Managers and the staff for their support and co-operation received during the year.

I wish to convey a special word of appreciation to all the staff members who assisted me during the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Finance department for their full support and dedication in all the operations of the Municipality.

K. T. MAKHALE
CHIEF FINANCIAL OFFICER
31 AUGUST 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES

1. Basis of presentation

1.1 These financial statements have been prepared so as to conform to the standard laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second Edition - January 1996)

1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 2. The accounting policies are consistent with those applied in the previous year, except where otherwise indicated.

1.3 The financial statements are prepared on the accrual basis as stated below:

(a) Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences

(b) Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include rate and general services, trading services and the different funds and reserves. Interdepartmental charges are treated as income and expenditure in the following departments: Refuse Removal, Sewerage, Electricity, Irrigation and Water.

3. Fixed assets

3.1 Fixed assets are stated at historical cost and assets which have been acquired by donations, at valuation, based on the market price ruling as at the date of the donation being made.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

(a) Appropriation from income, where the full cost of the asset forms an immediate and direct charge against the operating income , and therefore it is unnecessary to make any further provision for depreciation.

(b) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 Financing

Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the services concerned at the ruling interest rate applicable at the time that the advance is made.

4. Inventory

Inventory is valued at the lower of cost, determined on FIFO basis, and net realisable value.

5. Funds and reserves

5.1 Capital Development Fund

The Capital Development Fund requires a minimum contribution of the defined income of a local municipality for the immediately preceding financial year as described by Ordinance 9 of 1978. The net operating surpluses after prior year adjustments are transferred to the Capital Development Fund.

5.2 Trust funds

Trust funds represent earmarked funds and include income and expenditure per fund as and when they occur. Trust funds must at all times be backed up by cash on hand and investments. Interest (if any) is annually calculated on proportional basis.

5.3 Land Trust Fund

The Land Trust Fund received contributions for the sale of Erven and interest on advances from the fund.

6. Retirement Benefits

The Lekwa-Teemane Municipality Employees contribute to the followingfunds: Joint Municipal Funds, Retirement Fund, SALA, S.N.P.F, IMATU Retirement Fund and the Municipal Gratuity Fund. Councillors contribute to the Councillors Retirement Fund, which provides retirement benefits to such employees and councillors.

The retirement benefit plans are subject to the Pensions Funds Act, 1956. Current contributions are charged against operating income on the basis of current service costs. Full actual valuations are performed at least every three years.

7. Surpluses and deficits

Any surpluses or deficits arising from the operation of electricity or water services are transferred to rate and general services.

The net operating surpluses after prior year adjustments are disclosed as retained income on the face of the balance sheet.

8. Income

Income comprises of the following, excluding VAT:

8.1 Water and Electricity

Meters on all properties are read and billed monthly using the approved tarriffs.

8.2 Assessment Rates

Assessment Rates are levied on the land values based on the latest valuation roll.

8.3 Grants, Donations and Subsidies

Grants, donations and subsidies are recorded as and when it is received.

9. Investments

Investments comprise surplus funds that are invested at approved financial instituitions at market related interest rates (Money Market Investments) and shares issued by pension funds. Money market investments may include funds earmarked for specific projects and operational surpluses.

The investments are shown at market value and are invested per Circular No. 26 of 1991 issued by the Provincial Administrator.

10. Leased assets

Fixed assets held under finance lease are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

11. Administration Charges

Administration expenses are recharged to the various services on the basis of estimated time spent and cost of facilities used.

12. Provisions

Provision is made for all known liabilities or expected losses which exist at the balance sheet date and which cannot be determined with accuracy.Provisions are charged to the respective servicestaking into account past expenditure and future probable expenditure.

LEKWA TEEMANE LOCAL MUNICIPALITY

BALANCE SHEET AS AT 30 JUNE 2009

	NOTE	2009 R	2008 R (Restated)
CAPITAL EMPLOYED			
FUNDS AND RESERVES		-	-
Statutory Funds	**1**	-	-
APPROPRIATION	**15**	(13 808 699)	17 838 420
TRUST FUNDS	**2**	1 613 547	(194 589)
HOUSING DEVELOPMENT FUND		-	299 888
LONG-TERM LIABILITY	**3**	9 276 749	9 932 050
CONSUMER DEPOSITS	**4**	957 029	899 575
		(1 961 373)	**28 775 344**
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	**5**	4 083 586	3 519 650
INVESTMENTS	**6**	1 229 982	1 120 188
		5 313 568	4 639 838
NET CURRENT ASSETS		(7 274 942)	24 135 506
CURRENT ASSETS		72 507 685	91 608 373
Inventory	**7**	40 521	177 129
Trade and other receivables	**8**	72 459 780	91 423 520
Cash on Hand	**20**	7 385	7 724
CURRENT LIABILITIES		79 782 627	67 472 867
Trade and other payables	**9**	64 589 541	44 838 006
Provisions	**10**	3 524 866	588 072
Short term portion of Long term liability	**3**	11 360 901	7 489 659
Bank overdraft	**20**	307 319	14 557 130
		(1 961 373)	**28 775 344**

LEKWA TEEMANE LOCAL MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus (Deficit) R
38 745 946	40 421 807	(1 675 861)	**LEVY AND GENERAL SERVICES**	58 877 137	102 799 903	(43 922 767)
21 912 061	21 094 503	817 558	Community services	37 166 731	79 410 222	(42 243 491)
398 791	3 682 754	(3 283 963)	Subsidised services	339 821	4 980 689	(4 640 869)
16 435 094	15 644 550	790 544	Economic services	21 370 585	18 408 992	2 961 594
19 440	-	19 440	**HOUSING SERVICES**	-	-	-
31 803 108	33 136 230	(1 333 122)	**TRADING SERVICES**	38 266 402	40 135 044	(1 868 643)
70 568 494	**73 558 037**	**(2 989 543)**	**TOTAL**	**97 143 538**	**142 934 948**	**(45 791 409)**
		3 472 494	Prior Year Adjustment (See Note 26)			14 144 291
		482 951	Net Surplus for the year			(31 647 119)
		17 355 469	Beginning of the year			17 838 420
		17 838 420	**Accumulated Surplus : end of the year**			**(13 808 699)**

LEKWA TEEMANE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
CASH RETAINED FROM OPERATING ACTIVITIES		20 241 849	(14 718 591)
Cash generated by operations	**16**	(21 291 211)	1 883 560
Interest paid	**14**	(371 922)	(67 713)
Penalty paid		(1 500)	-
Investment Income	**14**	117 805	247 892
(Increase)/decrease in working capital	**17**	41 788 678	(18 133 016)
		20 241 849	(16 069 277)
Cash contributions from public and the state		-	1 240 780
Insurance		-	109 906
Net proceeds on disposal of fixed assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		(5 448 167)	(1 432 347)
NET CASH FLOW		**14 793 682**	**(16 150 938)**
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase in long-term loans	**18**	478 511	(3 756 719)
Decrease in Housing Development Fund		(299 888)	-
Net Decrease in Trust Funds		308 136	-
Increase in Consumer Deposit		57 454	(72 655)
Increase in cash investments	**19**	-	(1 915 348)
Increase/(Decrease) in cash & cash equivalent	**20**	14 249 472	(10 406 216)
		14 793 682	**(16 150 938)**

	2009 R	2008 R (Restated)
1. STATUTORY FUNDS	-	-
The municipality does not have any Statutory Funds.		
2. TRUST FUNDS		
Finance Management Grant (FMG)	113,547	-
Boitumelong Ext 4	-	(58,849)
Utlwanang Housing	-	(135,740)
Municipal Systems Improvement Grant (MSIG)	-	-
Municipal Infrastructure Grant (MIG)	-	-
Utlwanang Library	1,500,000	-
	1,613,547	**(194,589)**
(Refer to appendix A for more detail)		
3. LONG TERM LIABILITY		
- Development Bank of South Africa (DBSA)	17,694,159	14,956,731
- ABSA Bank	1,943,490	2,464,978
- Dr Segomotsi Ruth Mompati District Muncipality	1,000,000	-
	20,637,649	**17,421,709**
Less: Portion transferred to current liability:	11,360,900	7,489,659
- DBSA (See Note 23)	10,299,581	6,968,170
- ABSA Bank	61,319	521,489
- Dr Segomotsi Ruth Mompati District Muncipality	1,000,000	-
	9,276,749	**9,932,050**

Development Bank of South Africa (DBSA) Loans

The loans carry interest at rates varying between 13.41% and 17.47% per annum and are repayable over the periods ranging from four years upwards. The last loan will be redeemed by 2015

As at 30 June 2009, R9,705,598 (2008: R6,356,652) was in arrears and the entire amount has been disclosed as a short-term portion.

ABSA Bank Loans

The loans carry interest at rates varying between 11.78% and 17.22% per annum and are repayable over the periods ranging from four years upwards.

Dr Segomotsi Ruth Mompati District Muncipality

The loan was advanced by the District Municipality as working capital. The loan, which is interest free, is overdue as the repayment date was 30 November 2008.

Some of the loans are secured by Lekwa Teemane Local Municipality's assets.

(Refer to Appendix B for more detail on long term liabilities)

	2009 R	2008 R (Restated)
4. CONSUMER DEPOSITS		
Electricty and Water	957,029	899,575
	957,029	**899 575**
5. FIXED ASSETS		
Fixed assets: Beginning of the year	39 627 647	38,312,179
Capital expenditure during the year	7 405 575	1,940,483
	47 033 222	40,252,662
Less: Assets written off, transferred or disposed of during the year	(305 017)	(625,015)
Total fixed assets	46 728 205	39,627,647
Less: Loans redeemed and other capital receipts	42 644 619	36,107,997
Net fixed assets	**4 083 586**	**3,519,650**

(Refer to Appendix C and section 2 of the Treasurer's report for more details on assets)

6. INVESTMENTS		
Unlisted		
Long term deposits	1,211,700	1,102,595
Shares	18,282	17,593
	1,229,982	**1,120,188**
Average gross rate of return on investment	8.9%	6.7%

All long term deposits represents money market placements and they are done on an arms length transaction.

Investments worth R801,349 (2008: R758,839) were pledged as security for the Council's overdraft facility of R1,000,000 with ABSA Bank.

No investments were written off during the year.

7. INVENTORY		
Consumables & Fuel	40 521	177,129
	40 521	**177,129**

	2009 R	2008 R (Restated)
8. TRADE AND OTHER RECEIVABLES		
Current debtors (consumer and other)	125,106,911	111,906,452
Sundry debtors	9,240,911	16,917,066
VAT	71,895	971,379
	134,419,717	129,794,897
Less: Provision for bad debts	(61 959 937)	(38,371,377)
	72,459,780	**91,423,520**

During the year R - (2008: R1,885,000) was written off.

9. TRADE AND OTHER PAYABLES		
Trade creditors	58,650,891	39,460,487
Sundry Creditors	4,955,859	4,087,464
Money Received in Advance	982,791	1,262,697
Other Deposits	-	27 358
	64,589,541	**44,838,006**
10. PROVISIONS		
Leave Reserve	3,513,038	576 125
Crockery Townhall	11,828	11 947
	3,524,866	**588,072**

(Refer to Appendix A for more detail)

11. ASSESSMENT RATES		
Residential, Commercial, State and Municipal	5,969,862	5,374,354
	5,969,862	**5,374,354**

Valuations on land are performed every four years. The latest valuation exercise, by independent valuators' is currently in progress.

12. COUNCILLORS AND MANAGEMENT REMUNERATION		
Councillors		
Mayor's allowance	167,965	189,622
Former Mayor's allowance	200,344	-
Councillors' allowance	1,147,419	1,032,646
Pension fund contributions for councillors	-	-
Telephone and Cellphone allowances	195,947	174,949
Travelling Allowance	491,750	406,019
Other allowances		-
	2,203,425	**1,803,236**
Management		
Municipal Manager	612,256	497,537
Chief Financial Officer	530,942	448,007
Senior Managers	1,486,595	1,387,786
	2,629,793	**2,333,330**

	2009 R	2008 R (Restated)
12. COUNCILLORS AND MANAGEMENT REMUNERATION (Cont'd)		
Councillors Outstanding Services Accounts		
Clr K. M. Segalo (Mayor)	-	20,162
Clr K. L. Modise (Former Mayor)	30,365	25,422
Clr D. Muller	-	-
Clr I. Mabala	4,260	2,576
Clr R. M. Makodi	9,686	4,046
Clr M. P. Letebele	12,061	7,955
Clr K. L. Duiker	15,865	14,235
Clr K. J. Bojong	21,862	15,779
Clr W. B. Percival	-	-
Clr A. Buys	8,600	950
Clr G. Pencil	4,781	6,713
	107,480	**97,838**
13. AUDITOR'S REMUNERATION		
Audit fees	-	274,518
14. FINANCE TRANSACTIONS		
To external interest earned or paid		
Interest earned	117 805	247 892
Interest paid	(327,517)	(67,713)
Penalty paid	(1,500)	-
Capital charges debited in operating account:	(211,212)	180,179
Interest		
External	327,517	368,345
Internal	-	-
Redemption		
External	1,021,488	529,273
Internal	-	-
Penalty	1,500	-
	1,350,505	**897,618**
15. APPROPRIATION		
Appropriation account		
Accumulated surplus : beginning of year (restated)	31,982,711	20,827,963
Accumulated surplus : beginning of year (as previously reported)	17,838,420	17,355,469
Prior year adjustment (Note 26)	14,144,291	3,472,494
Operating surplus for the year	(45,791,409)	(2,989,543)
Accumulated surplus : end of year (restated)	(13,808,699)	17,838,420
Contributions to Approved Funds		
Fixed assets	44,843,239	6,338,602
Contributions to:		
- Capital expenditure	312,617	81,661
- Leave provision	3,083,943	149,185
- Bad debts provision	41,446,679	6,107,756
	44,843,239	**6,338,602**

	2009 R	2008 R (Restated)
16. CASH GENERATED BY OPERATIONS		
Deficit for the year	(45,791,409)	(2,989,543)
Adjustments in respect of previous year's operating transactions		700,901
Appropriations charged against income:	-	81,661
Capital development fund	-	-
Mayors discretionary fund	-	-
Provisions and reserves	-	-
Fixed Assets	-	81,661
Capital charges:	329,017	730,352
Interest and redemption paid:	-	-
to internal funds	-	-
on external loans	327,517	730,352
Penalty paid	1 500	-
Cash received from Investing Activities	(117,805)	(247,892)
Interest paid on bank overdraft	44,405	-
Expenditure charged against provisions & reserves	-	(96,130)
Non operating income	-	(149,185)
Credited to funds		(149,185)
Credited to provisions and reserves	-	-
Capital expenditure		
Non operating expenditure	24,288,986	3,853,396
Debited to funds		(314,034)
Bad Debts Written-off (Debited to provisions and reserves)	23,588,560	-
Non-cash flow adjustment	700,426	4,167,430
	(21,291,211)	**1,883,560**
17. (INCREASE)/DECREASE IN WORKING CAPITAL		
Decrease/(Increase) in inventory	136,608	(63,350)
Decrease/(Increase) in debtors	18,963,740	(22,445,743)
Increase in creditors	19,751,535	4,323,022
Increase in provisions	2,936,794	53,055
	41,788,678	**(18,133,016)**
18. (INCREASE) / DECREASE IN LONG TERM LOANS		
New loans	1,500,000	4,285,997
Loans repaid	(1,021,489)	(529,278)
	478,511	**3,756,719**
19. (INCREASE) / DECREASE IN EXTERNAL INVESTMENTS		
Investments made	(2,000,000)	(5,970,631)
Investments realised	2,000,000	7,885,979
	-	**1,915,348**
20. INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash balance at the beginning of the year	(14,549,406)	(4,143,190)
Less: Cash balance at the end of the year	(299,934)	(14,549,406)
Bank Overdraft	(307,319)	(14,557,130)
Cash	7,385	7,724
	14,249,472	**(10,406,216)**

	2009 R	2008 R (Restated)
21. BANK ACCOUNT DETAILS AND BALANCES		
Bank Details and balances		
Account No. 1810000844 (Absa Bank)	(282,508)	(673,019)
Account No. 181046415 (Absa Bank)	46,394	40,220
Account No. 1810147748 (Absa Bank)	2,553	2,460
	(233,562)	**(630,339)**

22. GOING CONCERN

The municpality's liabilities exceed assets by R13,808,699, its loss for the period increased from R2,989,543 in the prior period to R45,791,411 in the current year, provision for bad debts increased to R61,959,937 as at the end of the current year, its debtors collection period averaged 690 days and the municipality has been experiencing cash flow challenges. This lead to a number of significant negative effects like incurring interest on all overdue accounts and non-payments or late payment of obligations when they fell due.

The foregoing situation poses a greater doubt on the municipality's ability to realise its assets and discharge its liabilities in the normal course of bussiness.

The municipality, inter alia, is revising its costing systems and has come up with an enhanced revenue measures in place. This is so because the main cause of the challenges are old debt and costing structure. Further, the municipality is working with the involvement of the North West Department of Finance in crafting a recovery plan and/or turn around strategy. This should be in implemented during the ensuing financial year.

23. FRUITLESS AND WASTEFULL EXPENDITURE		
Interest on arrears	1,518,537	1,708,898
Interest on late payment	836,555	-
Penalty - Early termination of Investment	1,500	-
	2,356,592	**1,708,898**

Interest on Arrears

The municipality has not been servicing its debt with Development Bank of South Africa (DBSA). As a result of this, DBSA has been charging interest on arreas (at the prevailing interest rates). The amount in arrears (both capital and interest) has been disclosed as Current Liabilities (See Note 3).

Negotiations are in progress with the lender to restructure the loan and other key loan terms. The negotiaitions should be completed during the ensuing financial year (2009/2010).

Interest on Late Payments

This relates to interest charged on late payments of VAT to SARS and other creditors. Measures have been put in place to avoid these charges in future.

Penalty - Early termination of Investment

The municipality invested money with one of the financial institutions and terminated the investment before maturity. As a result of the early termination, the municipality was charged R1,500 (2008: R -).

All the foregoing were mainly caused by the cashflow challenges that the municipality if currently facing (see Note 23 above). These amounts were approved for write-off by Council (Council Resolution Number 2009/189). The amounts have been included in general expenses.

24. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for	15,339,397	-
- Approved but not yet contracted for	5,927,805	13,093,000
	21,267,202	**13,093,000**

The foregoing capital expenditure will be financed from own sources, existing and new facilities and grants from the national and provincial government. Most of these projects are construction in nature, thus multi-year projects. They therefore, take more than one year to be completed. Further, funds by national and provincial government are disbursed based on the yearly approved project allocations (tranches).

25. RETIREMENT BENEFITS

The last actuarial valuation of the Municipal Pension Funds and the Councillors Pension Fund was done as at 30 June 1999.

	2009 R	2008 R (Restated)

26. PRIOR YEAR ADJUSTMENTS/ERRORS

Non-Statutory Reserves

The municipality had a number of non-statutory reserves created to cater for certain approved transactions and/or projects. All of these projects were created in early 2000 and there has been no significant movements in all of the reserves. Council has resolved to abolish the funds/reserves as the municipality has no capaicty to proceed with the intended projects and there is no adequate cash resources to back up the reserves. In lieu of the Council Resolution (Number 2009/189), all such reserves, amounting to R17,302,212, were written off against accumulated surplus as at 30 June 2008.

Effect in the Balance Sheet		
Net Increase in Debtors	16,253,365	-
Net Increase in Equity	14,144,291	-

Prior year financial statement have been restated to account for the foregoing errors and/or adjustments.

27. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Contingent Liabilities	4,000,000	750,000
Operational Contractual Committements	2,217,574	-
	6,217,574	**750,000**

Contingent Liabilities/Assets

(a) The municipality is being sued by one of the foreign mentor for soccer (juniors in the community). This is as a result of the fact that the former menotr was involved in an accident in a municipal vehicle on his was from a sports trip.

The former foreign mentor is suing the municipality for injuries and disabilities allegedly caused by the accident to the value of R4 million. The case is still pending in the local courts. The municipality is disputing the an obligation with regards to the said claim. At the moment, the attorney cannot determine the outcome with accuracy.

(b) An application was lodged with the Northern Gauteng High Court by Bloemhof Taxpayers Association to prevent the municipality to cut the electricity supply of the members of the Taxpayers' Association who are paying money in lieu of services into the account of Maree & Bernard Atorneys.

The case is still pending before the court. In the opinion of the municipal attorney, the municipality should be successful in the matter and there are no significant costs likely to emanate from the court process, apart from ordinary legal costs.

Operational Contractual Committements

The contractual committements relates to the following:

(a) A contract entered into with the valuator of the municipal properties. The project is jointly funded by the municipality and Development Bank South Africa (DBSA) on 60:40 basis, respectively. The agreement, however, is between the service provider and the municiplaity and is for the full value.

The project is currently underway and will be completed during the 2010 financial year.

(b) A contract entered into with a registered debt collector. The municipality's contractual obligation will only relate to the amount collected by the debt collector. This is as a result of the fact that, in terms of the agreement, the debt collector will be paid commission on amounts collected on an agreed scale. Due to the nature of the contract, we cannot determine the municiplaity's exposure to this contract.

The contract was effective in April 2009 and is valid for three years.

(c) A contract entered into with a service provider for the review of the asset register. This is being funded (in full) by dplg through the Municipal Systems Infrastructure Grant (MSIG).

28. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS FOR THE YEAR ENEDED 30 JUNE 2009

	Balance at 30 June 2008 R (Restated)	Contributions during the year R	Interest on Investments R	Write - offs R	Expenditure during the year R	Other Adjustments R	Balance at 30 June 2009 R
STATUTORY FUNDS	**-**	**-**	**-**	**-**	**-**	**-**	**-**
There are no Statutory Funds							
TRUST FUNDS							
Finance Management Grant (FMG)	-	500,000	-	-	(386,453)	-	113,547
Fire and Emergency	-	-	-	-	-	-	-
MSP 3	-	-	-	-	-	-	-
Boitumelong Ext 4	(58,849)	-	-	58,849	-	-	-
Utlwanang Housing	(135,740)	-	-	135,740	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	735,000	-	-	(735,000)	-	-
Municipal Infrastructure Grant (MIG)	-	7,139,000	-	-	(7,139,000)	-	-
Utlwanang Library	-	-	-	-	-	1,500,000	1,500,000
	(194,589)	**8,374,000**	**-**	**194,589**	**(8,260,453)**	**1,500,000**	**1,613,547**
PROVISIONS							
Leave Reserve	576,125	-	-	-	2,936,913	-	3,513,038
Crockery Townhall	11,947	-	-	(119)		-	11,828
	588,072	**-**	**-**	**(119)**	**2,936,913**	**-**	**3,524,866**
Grand Total	**393,483**	**8,374,000**	**-**	**194,470**	**(5,323,540)**	**1,500,000**	**5,138,413**

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2009

Issued	Interest Rate (%)	Loan Number	Redeemable	Balance at 30 June 2008 R	Received during the year R	Redeemed/ Written-off during the year R	Balance at 30 June 2009 R
DEVELOPMENT BANK SOUTH AFRICA (DBSA)				14,956,731	2,737,428	-	17,694,159
1979	15.72	11498	2004	419,861	76,844	-	496,705
1993	15.80	11503	2013	674,545	123,457	-	798,003
1991	16.31	11499	2011	113,475	20,769	-	134,244
1995	13.41	11505	2009	950,355	173,937	-	1,124,292
1995	17.47	11507	2010	798,558	146,155	-	944,713
1995	17.21	11506	2010	6,658,275	1,218,618	-	7,876,893
1985	13.75	11316	2014	2,632,240	481,761	-	3,114,001
1986	13.75	11317	2015	1,327,972	243,050	-	1,571,022
1986	17.25	11318	2015	1,381,450	252,837		1,634,287
ABSA BANK				2,464,978	-	(521,488)	1,943,490
2000	15.00	8052840973	2010	323,741	-	(107,398)	216,343
2005	12.35	66623225	2009	38,388	-	(38,388)	-
2004	12.37	65684212	2008	31,342	-	(31,342)	-
2005	12.36	66874910	2008	91,908	-	(91,908)	-
		3022397824		1,832,731	-	(200,055)	1,632,676
2005	11.78	69293269	2010	73,381	-	(26,180)	47,201
2005	17.22	69179571	2010	73,487	-	(26,217)	47,270
Dr Segomotsi Ruth Mompati District Municipality				-	1,500,000	(500,000)	1,000,000
				17,421,709	**4,237,428**	**(1,021,488)**	**20,637,649**

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Expenditure 2008	Service	Balance at 30 June 2008	Expenditure during year	Redeemed, transferred or written off	Balance at 30 June 2009
R		R	R	R	R
1 932 883	**RATES AND GENERAL SERVICES**	29 220 838	7 134 193	297 418	36 057 613
831,339	Community Services	7,983,729	6,089,894	297,418	13,776,205
134,215	Council General Expenses	957,934	1,971,875	267,929	2,661,880
-	IDP/PMS/LED	-		-	-
12,886	Health Services	244,834	-	-	244,834
15,488	Workshop	35,056	-	-	35,056
-	Caravan Park	88,228	-	-	88,228
16,167	Public Works	4,893,020	4,079,927	-	8,972,947
-	Stores	35,253	-	-	35,253
455,140	Town Secretary	555,699	9,515	-	565,214
180,251	Town Treasury	757,122	28,578	8,440	777,260
-	Cemetry	80,107	-	-	80,107
-	Clinic	21,049	-	21,049	-
17,192	Trafic and Licences	315,427	-	-	315,427
1,101,544	Subsidised Services	15,768,635	4,729	-	15,773,364
218,404	Civic Building	3,231,356	4,729	-	3,236,085
-	Fire Protection	6,737,860	-	-	6,737,860
19,172	Library	279,789	-	-	279,789
204,768	Boitumelong	3,554,206	-	-	3,554,206
-	Salamat	68,712	-	-	68,712
-	Swimming Pool	130,290	-	-	130,290
-	Coverdale	410,715	-	-	410,715
-	Parks and Recreation	193,624	-	-	193,624
659,200	Estates	1,162,083	-		1,162,083
-	Economic Services	5,468,474	1,039,570	-	6,508,044
-	Cleansing	421,175	-	-	421,175
-	Irrigation	88,197	-	-	88,197
-	Sewerage	4,616,800	1,039,570	-	5,656,370
-	Geluksoord	342,302	-	-	342,302
-	Housing Services	1,519,452	-	-	1,519,452
-	Economic Houses	1,519,452	-	-	1,519,452
7,599	Trading Services	8,887,356	271,383	7,599	9,151,140
7,599	Electricity	5,981,479	271,383	7,599	6,245,263
-	Water	2,905,877	-	-	2,905,877
1,940,482		**39,627,646**	**7,405,576**	**305,017**	**46,728,205**
	LESS: LOANS REDEEMED AND				
2,302,490	OTHER CAPITAL RECEIPTS	36,107,997	7,667,641	1,131,019	42,644,619
362,007	Loans redeemed and advances repaid	9,952,117	422,190	826,952	9,547,355
81,661	Operating Income	1,374,147	312,617	23,629	1,663,135
-	Contributions from Operating Income	100,131	-	-	100,131
1,240,780	Reserves, Grants and subsidies	9,823,775	6,100,323	20,099	15,903,999
-	Public Contribution	2,000	-	-	2,000
508,136	General: Capital	14,745,921	824,598	240,603	15,329,916
109,906	Grants: Insurance	109,906	7,913	19,736	98,083
362,008	**Net fixed assets**	**3,519,649**	**262,065**	**(826,002)**	**4,083,586**

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2009

BUDGET 2008	ACTUAL 2008 (Restated)		ACTUAL 2009	BUDGET 2009
R	R		R	R
		INCOME		
18,452,050	**15,456,153**	Grants and Subsidies:	**13,820,158.00**	**28,461,000**
17,332,050	14,769,794	Central Government	13,311,158.00	12,031,000
1,120,000	686,359	Provincial Government	-	15,162,000
		Other	109,000.00	868,000
-	-	District Council	400,000.00	400,000
57,023,375	**55,112,341**	Operating Income	**83,323,380.46**	**88,688,409**
5,887,891	5,374,354	Assessments rates	5,969,862.00	6,450,000
17,532,500	18,252,726	Sale of Electricity	20,753,209.00	23,196,000
10,147,500	10,598,265	Sale of Water	13,847,732.00	13,925,500
23,455,484	20,886,996	Other service charges	42,752,577.46	45,116,909
75,475,425	**70,568,494**	TOTAL INCOME	**97,143,538.46**	**117,149,409**
		EXPENDITURE		
29,863,593	29,467,133	Salaries, Wages and Allowances	29,844,170.00	34,869,407
41,848,546	41,607,848	General expenses	66,250,571.46	67,664,959
9,600,000	10,476,760	Purchase of Electricity	15,124,423.00	10,500,000
3,435,569	5,622,733	Purchase of Water	6,590,458.00	2,448,000
28,812,977	25,508,355	Other General Expenses	44,535,690.46	54,716,959
4,022,500	2,838,281	Repairs and maintenance	7,344,709.00	4,963,614
3,758,412	2,947,285	Capital Charges	3,484,783.00	4,858,168
61,117	81,661	Contributions of fixed assets	541,498.00	-
6,761,222	6,107,756	Contribution	35,469,217.00	4,401,271
-				-
86,315,390	**83,049,964**	**GROSS EXPENDITURE**	**142,934,948.46**	**116,757,419**
9 812 509	9,491,927	Less: Amounts Charged Out	(12,263,596.00)	(11,339,864)
		Less: Appropriation		
76,502,881	**73,558,037**	**NET EXPENDITURE**	**130,671,352.46**	**105,417,555**

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED

30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Surplus (Deficit)	2009 Budget Surplus (Deficit)
R	R	R					
70,568,494	**73,558,037**	**(2,989,543)**	**RATES AND GENERAL SERVICES**	**97,143,538**	**142,934,948**	**(45,791,409)**	**3,449,266**
21,912,061	21,094,503	817,558	**Community services**	37,166,731	79,410,222	(42,243,491)	9,662,045
5,374,354	-	5,374,354	Assessment Rates	5,969,862	-	5,969,862	6,450,000
107	150	(43)	Town Secretary	4,273,474	4,285,015	(11,541)	94,350
85,485	353,416	(267,931)	Cemetary	88,191	159,042	(70,851)	(283,086)
5,346,077	7,465,155	(2,119,078)	Council: General Expenses	4,886,159	50,747,655	(45,861,496)	5,725,138
-	614,912	(614,912)	IDP/PMS/LED	-	454,437	(454,437)	(895,254)
692,058	1,401,133	(709,075)	Health Services	149,126	508,672	(359,546)	(86,188)
10,117	7,726,788	(7,716,671)	Public Services	13,200	9,818,619	(9,805,419)	(7,699,946)
-	-	-	Stores	26,716	26,776	(60)	-
6,400,483	1,279,754	5,120,729	Town Treasurer	12,523,695	7,675,737	4,847,957	5,420,148
4,003,380	2,253,195	1,750,185	Traffic & Licences	8,893,672	5,391,634	3,502,038	936,883
-	-	-	Workshop	342,635	342,635	-	-
398,791	3,682,754	(3,283,963)	**Subsidised Services**	339,821	4,980,689	(4,640,869)	(6,212,779)
133,430	1,153,983	(1,020,553)	Civil Building	198,714	1,763,413	(1,564,698)	(2,059,897)
-	588,302	(588,302)	Fire Protection	-	352,830	(352,830)	(569,258)
1,891	382,298	(380,407)	Library	8,777	517,677	(508,900)	(958,776)
6,504	-	6,504	Pleasure Resort	49,864	-	49,864	7,000
513	905,427	(904,914)	Parks and Recreation	3,463	1,939,477	(1,936,014)	(2,332,772)
-	-	-	Swimming Pool	-	-	-	
-	579,339	(579,339)	Housing	240	383,897	(383,657)	(537,094)
256,453	73,405	183,048	Estates	78,763	23,396	55,367	238,018
16,435,094	15,644,550	790,544	**Economic Services**	21,370,585	18,408,992	2,961,594	(4,501,963)
6,233,286	6,058,838	174,448	Cleansing	9,066,848	6,800,013	2,266,835	(321,140)
522,251	435,520	86,731	Irrigation	565,981	519,457	46,523	(56,995)
9,679,557	9,150,192	529,365	Sewerage	11,737,756	11,089,521	648,235	(4,123,828)
19,440	-	19,440	**Housing Services**	-	-	-	-
19,440	-	19,440	Economic Housing	-	-	-	
31,803,108	33,136,230	(1,333,122)	**Trading Services**	38,266,402	40,135,044	(1,868,643)	3,091,253
19,028,292	19,175,385	(147,093)	Electricity	22,279,603	25,083,695	(2,804,092)	897,331
-	-	-	Water DC	-	-	-	
12,774,816	13,960,845	(1,186,029)	Water	15,986,799	15,051,349	935,449	2,193,922
70,568,494	**73,558,037**	**(2,989,543)**	**TOTAL**	**97,143,538**	**142,934,948**	**(45,791,409)**	**3,449,266**
		3,472,494	Prior Year Adjustment (See Note 26)			14 144 291	
		(2,989,543)	Net Surplus			(31,647,119)	
		17,355,469	Beginning of the year			17,838,420	
		17,838,420	**Accumulated Surplus end of the year**			(13,808,699)	

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

The statistics provided are intended as a guideline, and may change substantially.

1 POPULATION:	BLOEMHOF	31,000
	CHRISTIANA	26,000
2 NO OF DEBTORS	BLOEMHOF	6,730
	CHRISTIANA	4,619
3 NO OF EMPLOYEES		
	BLOEMHOF	146
	CHRISTIANA	112
ASSESSMENT RATES		
RATES	BLOEMHOF	0.25
	CHRISTIANA	
	GELUKSOORD	0.25
	UTLAWANANG/BOITUMELONG	0.25
	COVERDALE/SALAMAT	0.25

		200809	200708	2006/2007	2005/2006	2004/2005	2003/2004
(A) ELECTRICITY STATISTICS							
(i)	NUMBER OF USERS (RESIDENTIAL AND COMMERCIAL) :						
(ii)	UNITS BOUGHT / GENERATED :	49,899,734	51,544,464	53,545,609	49,621,011	47,260,049	48,135,527
(iii)	UNITS SOLD :	39,406,819	48,460,442	45,149,960	42,439,134	42,654,516	43,244,793
(iv)	UNITS LOST IN DISTRIBUTION :	10,492,915	3,084,022	8,395,649	7,181,877	4,605,533	4,890,734
(v)	UNITS LOST IN DISTRIBUTION, AS A % OF (ii)	21.03	15.68	14.47	9,74	10,16	9.78
(vi)	COST PER UNIT BOUGHT / GENERATED : cent	0.33	17.51	0.33798	0.291	0.278	0.225
(vii)	LOSS IN DISTRIBUTION (IV X VI) :R	3,462,661	14,700,078	2,427,330	1,340,210	1,359,624	1,168,118
(viii)	COST PER UNIT SOLD (OPERATING EXPENDITURE ÷ iii) cent	0.640	0.413	0.370	0.269	0.310	0.028
(ix)	INCOME PER UNIT SOLD (OPERATING INCOME ± iii) :	0.650	0.411	0.324	0.365	0.348	0.311
(B) WATER STATISTICS							
(i)	NUMBER OF USERS (RESIDENTIAL AND COMMERCIAL) :						
(ii)	UNITS PURIFIED :	3 416 899	4,415,510	3,574,607	3,262,714	3,170,033	3,366,767
(iii)	UNITS SOLD :	2 666 861	3,334,649	3,233,036	3,036,024	2,810,864	3,070,090
(iv)	UNITS LOST IN DISTRIBUTION (ii - iii) :	750 038	1,080,861	341,571	226,690	359,169	296,677
(v)	UNITS LOST IN DISTRIBUTION, AS A % OF (ii)	21.9 5 0	32	10	7	11	8,81
(vi)	COST PER UNIT BOUGHT / PURIFIED : R	2.1 9 0	3	1	2	3	3
(vii)	LOSS IN DISTRIBUTION (IV X VI) : R	153 383	3,415,521	485,030	35,817	955,389	753,559
(viii)	COST PER UNIT SOLD (0PERATING EXPENDITURE /)R	5.64 0	4	3	4	4	3
(ix)	INCOME PER UNIT SOLD (OPERATING INCOME ± iii) : R	5.9 9 0	4	1	3	3	3
(C) SUNDRY STATISTICS							
	1 TOTAL NUMBER OF INDIGENTS						4,917
	2 TOTAL NUMBER OF RDP HOUSES BUILT						-
	3 TOTAL NUMBER OF AVAILABLE STANDS						264

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LEKWA-TEEMANE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Lekwa-Teemane Local Municipality which comprise the balance sheet as at 30 June 2009, and the income statement and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 59 to 71.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Comparative figures

4. I was unable to obtain sufficient appropriate audit evidence to determine the existence, rights and obligations, completeness, valuation and allocation of assets of R96 248 211, liabilities of R78 409 791 and accumulated funds and reserves of R17 838 420 due to most matters giving rise to the prior year's qualifications remaining unresolved. As a result I was unable to verify the opening balances other than agreeing them to the prior year financial statements.

Revenue

5. A significant part of the municipality's revenue comprises of sale of electricity and sale of water and other service charges. An effective system of control over these sources of revenue did not exist and reconciliations were not complete. The municipality's records did not permit the application of alternative audit procedures and consequently, I did not obtain all the information and audit evidence I considered necessary to establish the occurrence, accuracy and cut-off of revenue of R38 362 018 included in the total revenue of R97 143 538 included in the income statement.

6. Due to the nature of the income of the municipality and a lack of systems I was unable to reliably determine the completeness of revenue from service charges amounting to R83 323 380 included in the total revenue of R97 143 538 as per income statement.

Fixed assets

7. I did not obtain all the information and audit evidence I considered necessary to establish the completeness and existence of fixed assets of R4 083 586 included in the balance sheet and note 5 to the financial statements. I was unable to perform alternative procedures due to incomplete information included in the asset register.

Trust funds

8. Trust funds of R1 613 547 as disclosed in the balance sheet were not supported by sufficient concomitant assets due to a bank overdraft of R307 319, investments amounting to only R1 229 982 and cash on hand of R7 385.

Provisions

9. I was unable to obtain sufficient appropriate audit evidence for the municipality's obligation regarding accumulated leave due to an ineffective system in place for the recording and capturing of leave transactions. It was impracticable to apply alternative procedures and consequently I did not obtain all the information and audit evidence I considered necessary to establish the completeness, valuation, allocation, existence and rights and obligations of the leave reserve of R3 513 038 as per note 10 to the financial statements.

Trade and other receivables

10. I did not obtain all the information and audit evidence I considered necessary to establish the completeness, valuation, allocation, rights and obligations and existence of trade and other receivables of R72 459 780 included in the balance sheet and note 8 to the financial statements. The municipality's information systems did not permit the application of alternative audit procedures.

Trade and other payables

11. I did not obtain all the information and audit evidence I considered necessary to establish the completeness, valuation, allocation, rights and obligations and existence of trade and other payables of R7 800 000 included in trade and other payables of R64 589 541 as per the balance sheet and note 9 to the financial statements. The municipality's records did not permit the application of alternative audit procedures.

12. I did not obtain sufficient appropriate audit evidence, neither were sufficient systems in place to reliably determine the completeness of trade and other payables of R64 589 541 as per balance sheet and note 9 to the financial statements.

Bank overdraft

13. The revenue relating to traffic fines were paid into a separate bank account that is registered in the name or the Lekwa–Teemane Local Municipality which was not included in the bank overdraft of R307 319 as per balance sheet and note 20 to the financial statements. This resulted in the overstatement of the bank overdraft by R199 457 and the understatement of revenue and trade and other payables by R99 728 respectively.

Unauthorised, irregular, fruitless and wasteful expenditure

14. Section 125(2)(d) of the MFMA requires the municipality to disclose particulars of unauthorised, irregular, fruitless and wasteful expenditure in the notes to the financial

statements. I did not obtain all the information and audit evidence I considered necessary to establish the occurrence, rights and obligations, completeness, classification and understandability, accuracy and valuation and compliance of fruitless and wasteful expenditure of R2 356 592 as per note 23 to the financial statements.

Related parties

15. I was unable to obtain sufficient appropriate audit evidence, and sufficient systems were not in place to reliably determine the completeness of related parties. I was unable to perform alternative procedures due to a limitation of scope imposed by the municipality.

Disclaimer of opinion

16. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

I draw attention to the following matters on which I do not express a disclaimer of opinion.

Basis of accounting

17. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy 1.

Going concern

18. The accounting officer reported in note 22 to the financial statements that the Lekwa-Teemane Local municipality incurred a net loss of R45 791 411 during the year ended 30 June 2009 and, as of that date, the municipality's liabilities exceeded its total assets by R13 808 699. These conditions, along with other matters as set out in note 22, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

19. The supplementary information set out on pages 72 to 77 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

20. The accounting officer did not take all reasonable steps to ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement as required by section 65(e).

21. The mayor did not table the annual budget at a council meeting at least 90 days before the start of the budget year as required by section 16(2).

22. The annual budget of the municipality was not accompanied by draft resolutions, a projection of cash flow for the budget year by revenue source, broken down per month and particulars of the municipality's investments as required by section 17(3).

23. The mayor did not respond to and initiate any remedial or corrective steps as a result of the municipality facing serious financial problems nor did the mayor alert the council and the MEC for local government of the province of those problems as required by section 54(2)(a) and (b).

24. The accounting officer did not take reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure and other losses as required by section 62.

25. Contrary to section 65(2) the accounting officer of the municipality did not take all reasonable steps to ensure that the municipality's available working capital was managed effectively and economically in terms of the prescribed cash management and investment framework and that the supply chain management was implemented in a way that was fair, equitable, transparent, competitive or cost effective.

26. The accounting officer did not submit the annual report and oversight reports to the provincial legislature within seven days after the municipal council had adopted the relevant reports as required by section 132(1) and section 132(2).

27. The accounting officer did not submit all required reports to the mayor, MEC for local government and Auditor-General relating to unauthorised, irregular and fruitless and wasteful expenditure as required by section 32(4)(a) to (c).

Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

28. Councilors did not declare their independence in respect of interest in contracts as required by sections 5 and 7.

Governance framework

29. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

30. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4	Comparative figures	5,6				
5-6	Revenue	5,6		3,4,5		1,2,3
7	Fixed assets	5,6		3,4,5		1,2,3
8	Trust funds					1,2,3
9	Provisions	5,6		3,4,5		1,2,3
10	Trade and other receivables	5,6		3,4,5		1,2,3
11	Trade and other payables	5,6		3.4.5		1,2,3
12	Bank overdraft	5,6		3,4,5		1,2,3
13	Unauthorised, irregular, fruitless and wasteful expenditure	5,6		3,4,5		1,2,3
14	Related parties	5,6				

31. The internal audit plan did not adequately address key risk issues in order to improve audit outcomes. Furthermore a lack of processes to address all the requirements of the accounting framework and a lack of effective document management as well as the inability due to capacity constraints, of the accounting division to ensure compliance with accounting standards contributed to the qualifications in the current and prior financial year.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3

M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

32. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	**Y**	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		**N**
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	**Y**	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.		**N**
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	**Y**	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	**Y**	
	• The audit committee operates in accordance with approved, written terms of reference.	**Y**	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		**N**
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.	**Y**	
	• The internal audit function operates in terms of an approved internal audit plan.	**Y**	

No.	Matter	Y	N
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		**N**
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		**N**
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		**N**
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	**Y**	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA	**Y**	
12.	Powers and duties have been assigned as set out in section 79 of the MFMA.	**Y**	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		**N**
14.	SCOPA/Oversight resolutions have been substantially implemented.		**N**
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		**N**
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		**N**
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Lekwa–Teemane Local Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	**Y**	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		**N**

33. The biggest challenge for the Lekwa–Teemane Local Municipality relates to staff shortages and the capacity of appointed staff required to address the shortcomings noted in the above table.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

34. I have reviewed the performance information as set out on pages 78 to 91.

The accounting officer's responsibility for the performance information

35. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA.

The Auditor-General's responsibility

36. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

37. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

38. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

39. The integrated development plan of the Lekwa–Teemane Local Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

40. The Lekwa–Teemane Local Municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

41. The accounting officer of the Lekwa–Teemane Local Municipality did not (by 25 January of each year) assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

Usefulness and reliability of reported performance information

42. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

    - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
    - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?

- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

Reported performance information not relevant

43. Input, output and outcome indicators were not indicated for all KPI's; furthermore in other instances where the indicators were used it was not:

    - specific in clearly identifying the nature and the required level of performance
    - measurable in identifying the required performance
    - time bound in specifying the time period or deadline for delivery.

Objective	Target
Implement and improve payment strategy.	12 Monthly reporting
Implement compliance asset register as prescribed by GRAP.	12 Monthly reporting

APPRECIATION

44. The assistance rendered by the staff of the Lekwa–Teemane Local Municipality during the audit is sincerely appreciated.

Auditor General

Pothefstroom

3 Augustus 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 Service delivery information

B BROAD KPAs	MUNICIPAL PRIORITIES	BALANCE SCRECARD PERSPECTIVES	OBJECTIVES	VOTE/DEPT.	BASELINE	KPIs		TARGETS			
							Annual	Actual	Performance %	Reasons for Deviation	Possible Solutions/Improvements
1 Good Governance	**Promotion of Good Governance through effective processes**	Customer	Implementation of communication strategy	Corporate	Communication strategy approved	External newsletter distributed.	4	3	75%	Limited resources Newsletter not qualitative Lack of Slots	Engage with possible local retailers for advert space. Source inputs from councilors & Ward Committees
				Corporate	2 Imbizos	Mayoral Imbizo's report.	4	2	50%	Lack of political leadership in Q1 & Q2	Mayoral Programmers drawn and implemented
				Corporate	1 IGR Report	inter-Governmental forum report.	4	4	100%	Attendees not decision makers	Deal with composition of IGR – seniority
				Corporate	None	Customer satisfaction survey report. Customer Accounts Queries.	By 30/06/2009	75 1200	75%	Handled internally to develop a baseline	
			Implementation and monitoring of new legislation	Corporate	Six ward committee established	Number of Workshops on MFMA & MPRA	2	2	100%		Adoption of ward committee policy.

				CFO	None	Established Oversight committee by Jan 2009.	Committee Established	100%	100%		
			Community participation	CFO/Council	2	Report on the Budget and IDP meetings.	4	4	100%		To start the Implementation Plan as Approved by Council
		Internal Business	implementation of communication strategy	Corporate	None	Internal newsletter Distributed.	4	3	75%		
				Corporate	Ongoing	- Adopted minutes of twelve management and six council meetings held	18	18	100%		
				Corporate & CFO	Established website	-Monthly updating of the website. -Website Upgrade	12 0%	12 0%	100% 0%	Lack of IT Skill	Appointment of IT Officer
				CFO	Ongoing	Budget and IDP meetings.	4	4	100%		To start the Implementation Plan as Approved by Council
			Facilitate oversight committee functions	MM	Previous oversight report	Established Oversight committee Approved Report	By June 2009	1	100%		

				MM & Mayor	Ongoing	-Signed performance agreements.	By July 2008	6	100%		
				MM & CFO	Ongoing	-Submitted twelve monthly report and four quarterly reports to Treasury.	16	16	100%		
		Financial	Community participation	CFO & Mayor	Two	Budget & IDP public meetings	4	4	100%		To start the Implementation Plan as Approved by Council
			Facilitate Oversight Committee functions	MM	Previous Oversight Committee Report	Established Oversight committee Approved Report	By June 2009	1	100%		
		Learning & Growth	Implementation & monitoring of new legislation	Corporate	Work Skills Plan	Training of staff member	100	45	55%	Non compliance of the Service Provider to the service level agreement	Termination of contract Re-advertisement to appoint a new service provider Need to engage service providers for provision of training at a deferred cost basis pending payment by LG SETA

BROAD KP BROAD KPAs	MUNICIPAL PRIORITIES	BALANCE SCRECARD PERSPECTIVES	OBJECTIVES		VOTE/DEPT.	BASELINE	KPIs		TARGETS		
							Annual	Actual Performance	Performance Percentage	Reason for deviation	Possible solution/improvement
2. Infrastructure, Investment & Basic Service Delivery	**Infrastructure Investment & Basic Service Delivery**	Customer	Provision of Electricity (Municipality)		Technical	18 43 of Municipal Households Electrified	217 Households to be provided with Electricity	Electricity Bulk Network Completed	50%	DME treated project as two separate projects, hence insufficient funds	Project consolidated into one, and funding increased
			Facilitation of Electricity (Eskom)	Technical	4070 of Municipal Households Electrified	Facilitate the electrification of 217 Households to be Electrified by Eskom	217	Bloemhof 180 Stands to be electrified in this financial year.	100%	ESKOM requires LG number from Surveyor General to cover remaining stands	Speed up of registration of new townships
			Facilitation of Sanitation	Technical	8252 of Municipal Household has access to sanitation	Facilitate the Sanitation connection of 217 Households.	217	All households are being connected to water borne sewer.	100%		Technical Officials to be part of the planning stages and project site meeting

				Technical	Septic Tanks **Christiana and Bloemhof**	Purchase of new septic tank	1	Septic tank truck has been purchased.	100%		To have all septic tank converted to water borne sewer system
			Facilitation of Water	Technical	8252 of Municipal Household has access to sanitation.	Facilitate the Water connection of 217 Households.	217	All households are being connected through water borne sewer project.	100%		Technical Officials to be part of the planning stages and project site meeting
			Upgrading of Internal Roads	Technical	70km	10KM	8km	8 Km of internal roads has been upgraded.	100%	Old machinery and equipments hampers consistent maintenance	
			Maintenance of Internal Roads	Technical	70km	15km graded	15km	15 Km of internal roads is being maintained.	100%	Old machinery and equipments hampers consistent maintenance	The target should be increased in the next financial year, since it is too low. To include maintenance of tarred roads and storm water drainage system
			Provide Refuse Removal Services	Community	100% provision of refuse removal services	100% provision of refuse removal services	100%	80% of Household, except Boitume	80%	Lack of access roads in those extensions	Roads to be graded Appointment of staff and

								long X5 and Utlwanang X5.		. Shortage of staff & equipment	purchase of machinery and equipment
			Facilitate Housing	Community	1000 units approved by DPLG&H	No of Houses built	1000 Units	1000 Housing subsidies approved.	100%		Province to speed up the implementation process
			Provide Land for Business & Residential	Corporate	Approved SDF	100% Provision of the Available land.	100%	land audited for residential purposes.	100%	Business and Agrarian land audits outstanding	Quotations sourced from Town Planners.
			Promote Clean & Safe Environment	Corporate	By-Laws Published.	100% Implementation of By-Laws	100%	Peace Officers are trained to implement and enforce by-laws	100%		Speeding up the printing of fine books.
			Facilitate access to Library facilities	Community	Four	Construction of library at Utlwanang	1	0	50% Tender process completed and report forwarded to Province.	Outstanding Memorandum of Understanding with Province	Speed up the process of entering into an MOU with timeframes.
			Upgrading of sports facilities	Community	Dilapidated facilities	Two sports facilities upgraded	2	0	50 % Approval for upgrading of both Geluksoord and Coverdale stadiums.	Delay on the part of the DASC. Lack of project timelines	Speed up the process of engaging the department. Initiate an MOU with timelines. Make use of IGR to exert pressure

			Maintenance and Management of recreational facilities	Community	Maintenance Plan	Useable facilities(Basic level of standard)	ongoing	Ongoing	75% Ongoing maintenance at Utlwanang; Geluksoord and Boitumelong stadium.	Vandalism Lack of security services. Shortage of staff	All pre-cast walls to have wall murals. Palisade fencing be used as an alternative to pre-cast. Wall Murals to be funded by Dept of Health; Transport and Arts and Culture
		Internal Business	Improve ICT Infrastructure	Corporate	Established ICT Server.	Increase the Capacity of the Municipal ICT Networks & Software	Strengthen the linkage between BLoemhof and CHristiana	0%	0%	Financial Constraint	Appointment of IT Officer. Improve the linkage of the server between Christiana and Bloemhof Offices
		Financial	Increase Revenue	Technical	Facilitate Electricity & Water Networks & Meter upgrade	Solicit funds to upgrade the Networks	Development of a business plan	0%	0%	Lack of development of business plan	Objective and the KPI Status Quo Report on the networks. Correspondence for funding be sent to DME & DBSA

				Community	TMT Speed camera currently in Bloemhof	Extension of TMT services to Christiana	0%	0%	0%	Services not extended due to contract duration	Municipality to take over the service fully in 2010
		Learning & Growth	Capacitate employees through experienti al training.	All	None	No. of employees capacitated through experiential training.	All	0%	0%	Not applicable to directorat e	All training and capacity needs to be addressed by Corporate Service
3.Local Economic Development(LED)	**Promote Local Economic Development & Tourism**	Customer	Support all local SMMEs	Community	Data base	Number of Registered SMMEs	20	20	100%	Co-ordination between the LED unit and SEDA	Co-ordinate measure is establishe d between two organizati ons.
				Community	Data base	No. of SMMEs capacitated with skills	50	50%	100% Municipality providing support through exposure of SMMEs to Expos and district trainings		
			Promote Tourism	Community	Christiana Tourism Ass	Established Lekwa-Teemane Tourism Ass	1	Tourism Association establis hed and function al	100%		
			Coordinati on of cooperate social investmen t.	Community	Data base	Established co-operatives	2	Two co-operativ es establis hed and function	100%		Co-ordination of informatio n exchange

								al			between units to be improved
			Develop investment and marketing strategy.	Community	none	Marketing strategy developed	1	Consultants appointed. Draft strategy developed	80%	Strategy yet to be presented to Council	Speed up the process of finalizing the strategy
		Internal business	Staffing LED unit	Community	1	No. of staff members appointed	1	0	0%	LED Unit yet to be staffed	Staffing of the organ gram to be done holistically
		Financial	Dev of funding model	Community /CFO	none	Developed Model	1	0	0%	Funding model unclear as to the target group	Research the relevance and feasibility of the model
		Learning & Growth	Personnel capacitating	Community /CFO	none	Capacitated personnel	2	Interns have undergone training and are permanently appointed	100%		
Financially		Internal business	Manage budget and treasury section	CFO	MFMA prescription	Timeous submission of reports	ongoing	Reports are being regularly submitted	100%		
			Sustain financial management	CFO	Internal control measures	Monthly reconciliations	ongoing	Reconciliation done	100%		
			Manage revenue	CFO	Effective & efficient billing	Monthly reporting	ongoing	Being done to the	100%	Some staff members	Reallocation of functions

								satisfactory level		are being overloaded with work	to other staff
			Asset management	CFO	Asset register not GRAP compliant	Compliance with GRAP	ongoing	Asset register done, to be transferred to the system	100%	Lack of capacity into staff and finance	GRAP Compliant. Use of new system to start in 2010/2011 financial year.
			Cash flow management	CFO	none	Monthly reporting	ongoing	12	100%	Non-payment Financial control Insufficient equitable shares (more indigent share expenditure and less equitable share) Lack of proper planning	Development of proper planning mechanisms. Step up debt collection.
			Develop & implement audit query strategy	All	none	Developed strategy	ongoing	A plan has been developed and implemented to address the audit queries.	100%		Monitoring and regular control of the plan is a standing item at management meeting levels. Council informed on a regular basis
		Customer	Implement and maintain debt	CFO	approved	Published by laws	100%	By-law gazette	100%		

			collection policy								
			Manage supply chain management.	CFO	approved	Monitoring and reporting	None	100%	100%		Allocate tasks/functions to an official within the directorate to perform this function.
			Billing of accounts	CFO	Timeous	Monthly due date	None	Billing	100%	The whole process ranging from meter reading to billing needs to be reviewed. Shortage of staff.	Appointment of staff to ease the problems
			Metering reading	CFO	Timeous	Monthly due date	None	Meter Reading	100%	The whole process ranging from meter reading to billing needs to be reviewed. Shortage of staff.	Appointment of staff to ease the problems
		Financial perspective	Revenue collection as budgeted	CFO	Monthly target collection.	Monthly reporting			65% Current average collection	Nonpayment and debt collection strategy. Economic situation	Debt Collectors to assist with the arrear accounts. Strengthening the debt collection unit
			Reduce Debtors'Acont.	CFO	To reduce debtors'account by	Debtors'Account stands at R 129 M	Debtors account reduce	Reduce debtor's account	Reduced from R129 M to R 72 M	R60 M was written off	Appointment of private

					20%		d to R100 M by end of June 2009	by 20%	(46%)	as debt emanating from erstwhile municipalities of Christiana and Bloemhof.	service provider speciliasing in debt collection and capacitation of Debt Collection Unit.
			Debt collection	CFO	45 Days as collection rate	Monthly reporting			76,02% Current average collection	Nonpayment and debt collection strategy. Economic situation	Debt Collectors to assist with the arrear accounts. Strengthening the debt collection unit

5.2 Changes/Variations from agreed development objectives and corresponding performance targets outlined in the IDP

The municipality identified and agreed on a number of priorities which would be implemented in the 2008/2009 financial year. These priorities were identified and agreed on together with the community through ward committees and the IDP Rep Forum.

For the past five (5) years, Lekwa-Teemane Local Municipality has not been budgeting for the implementation of any of the LED project in its area of jurisdiction. LED in the municipality is taking a back sit and is not successful due to lack of budgeting even for planed projects and programmers'.

Lack of qualified personnel in the technical services department is another factor which causes poor and or lack of implementation and management of plan and programmers'.

The following projects were identified as priorities in the IDP for implementation in the 2008/2009 financial year but were not implemented due to lack of funds:

Project	Estimated Budget	Status	Reasons for deviation
1. Development of municipal by-laws	R60 000	90 % implemented	Done on yearly bases
2. Implementation of Skills Plan	R300 000	30% implemented	Not enough funds to train staff and councilors
3.Implementation of PMS to supervisory level	R-	Only section 57 managers sign performance agreements	PMS manager not appointed
4. Upgrading of N12 Treasure Route	R220 000 000.00	In progress	Project will be completed by end 2009
5. Upgrading of Transformer in Boitumelong	R4 400 000	Not implemented	Lack of funds

5.3 Challenges/Difficulties encountered in the past year in the implementation of General Key Performance Indicators

- The municipality is implementing free electricity as indicated in the indigence policy and in accordance with the approved indigent policy. Even so there are about 20% of the households in Boitumelong and Utlwanang who do not receive free basic electricity. This is due to lack of communication and incorrect information between the municipality and ESKOM

- Creation of jobs and poverty alleviation remains a big challenge in Lekwa-Teemane due to the fact that the LED office remains adequately staffed and the municipality does not budget for LED projects and programmes.

- A skills plan is still not implemented accordingly as training is not properly structured. There is no proper skills audit taking place within departments which therefore makes it difficult for the HR office to have correct information for training needs.

- Increase of indigent register and decline in local economic.

5.4 Preliminary plan for the next financial year

The municipality will appoint three section 57 managers, namely directors technical services, corporate services and community services. The municipality is also involved in learner ship with ATT Local Government Accounting Certificate to address shortage of skill and competence in finance unit.

The process of Community Based Planning will be implemented to make sure that members of the community are fully involved in municipal affairs and to make sure that most importantly they are part of planning and implementation of priorities that have been identified in different wards. It is hoped that this will help to minimize dissatisfaction with regard to the level of service provided to the community. The following objectives have been identified for the implementation of 2009/2010 IDP:

STRATEGIC OBJECTIVES

- To provide basic service delivery
- Create a Safe and Clean Environment
- Improve on financial viability
- Enhance Community Participation
- Promote Economic Development and Tourism
- Good Governance and Communication

5.5 The following projects will be implemented in the financial year 2009/2010 to achieve the set strategic objectives:

Project	Key Performance Indicator	Target Date	Estimated Budget
Eradication of bucket system	Number of households removed from bucket system	June 2010	R 5,000 000.00
Street Lights Boitumelong ext 5 and Utlwanang ext 6	Number of street lights installed and repaired	30 June 2010	R 800,000.00
Electricity Backlog Maintenance and Upgrading	% of budget used to address electricity backlog	Ongoing processes	R 10,000 000.00
GRAP Compliance. Upgrading of IT	IT Upgraded	30 June 2010	R 300, 000.00
Development of new Valuation Roll	Availability of new valuation roll	30 June 2010	R 4,500,000.00